هكذا من الاصل

Friday July 4 1997

Abu Dhabi D 8.50 Algeria US$ 2 Andorra FF 10 Austria AS 30 Bahrain BD 0.65 Belgium BF 65 Bulgaria LV 500 Canada C$ 3.95 Croatia KN 12.50 Cyprus C£ 1.00 Czech Republic KC56 Denmark DK 15 Dubai D 8.50 Egypt E£ 6.50 Estonia K 30 Finland FM 12 France FF 10 Germany DM 3.50 Greece D 450 Hong Kong HK$ 25 Hungary F 230 Iceland IK 185 Israel NIS 11.50 Italy L 3,000 Jordan JD 1.25 Kenya KSH 150 Kuwait KD 0.50 Latvia US$ 2 Lebanon LL 3000 Luxembourg LF 65 Madeira E 270 Malta ML 0.43 Morocco D 25 Netherlands G 4.00 Norway NK 16 Oman OR 1.00 Pakistan R 60 Poland Z 6.20 Portugal E 240 Qatar QR 8.50 Russia US$ 2.75 Saudi Arabia R 10 Slovakia SK 60 Slovenia SLT 290 Spain P 250 Sweden SK 17 Switzerland SF 3.20 Thailand B 90 Turkey TL 120,000 Ukraine US$ 3.50 USA US$ 2.75

The Guardian

INTERNATIONAL

Printed in London, Manchester, Frankfurt and Roubaix

NEWSPAPER OF THE YEAR 46,907

Five pages of news and analysis

Budget 2

This section, pages 11-16

Tennis

Henman bows out of Wimbledon

Sport 97

Hugo Young

As we sleep, America wakes up China

Comment, page 9

Hamilton found guilty of taking cash and of lying to Michael Heseltine

A liar and a cheat: official

Downey also condemns Smith

David Hencke
Westminster Correspondent

NEIL Hamilton, the disgraced former minister, was found guilty yesterday of taking up to £25,000 cash in brown envelopes from Harrods owner Mohamed Al Fayed, in a damning verdict on five years of political sleaze from Sir Gordon Downey, the Parliamentary Commissioner for Standards.

The former MP for Tatton, who lost his seat at the general election, was comprehensively trounced by Sir Gordon for concealing cash payments, lying to Michael Heseltine, accepting undeclared lavish hospitality and unacceptable behaviour that "fell well below the standards expected of Members of Parliament".

In a simple statement Sir Gordon said: "The evidence that Mr Hamilton received cash payments directly from Mr Al Fayed in return for lobbying services is compelling; and I so conclude."

Alan Rusbridger, editor of the Guardian, last night welcomed Sir Gordon's findings. He said: "On October 1 last year we called Neil Hamilton 'A Liar And A Cheat'. That verdict is now official. Sir Gordon's report is a complete vindication of all the work by the Guardian over nearly four years.

"It is a detailed, thorough and damning demolition of every single lie that Neil Hamilton has spread during that period."

Sir Gordon's long-awaited verdict finds Mr Hamilton, former Northern Ireland minister Tim Smith, former government whip Michael Brown, and former Tory MPs Sir Andrew Bowden and Sir Michael Grylls all guilty of not declaring payments received either from Mr Fayed or lobbyist Ian Greer, who organised Mr Fayed's campaign against Tiny Rowland's attempt to regain control of Harrods.

The most serious condemnation is reserved for Hamilton and Smith, who finally admitted to Sir Gordon that he had also received £25,000 in cash in brown envelopes.

Hamilton is condemned for not declaring his two stays at Mr Fayed's expense at the lavish Ritz Hotel and private apartments in Paris; for failing to register payments and lavish hospitality from another Greer client, US Tobacco; lying to Mr Heseltine about his payments from Greer; and positively misleading ministers such as David Mellor and Edwina Currie when lobbying to introduced the banned chewing tobacco Skoal Bandits into Britain.

In a damning quote he adds: "There is a general obligation on members to the effect: 'If in doubt, register.' Mr Hamilton seems to have adopted the opposite principle and, if in doubt, gave himself the benefit of it."

Sir Gordon points out that, during his own investigation into the original allegations made by the Guardian against the former minister, "Mr Hamilton's credibility has suffered increasingly serious damage, particularly as a result of his unwarranted attack on the honesty of the Guardian's journalists and the circumstances surrounding his denial to Mr Heseltine of any financial relationship with Mr Greer."

Mr Hamilton and his wife, Christine, were clearly stunned by the findings last night. He said: "I'm extremely disappointed and devastated. I am perplexed more than anything else. I totally deny any dishonesty. The only evidence against me is from his [Mr Fayed's] paid employees.

"He says the evidence I took this money is compelling, but he can't say when it was taken and how much was taken, why it was given or where it went."

Hamilton intends to appeal, but last night admitted on Sky News that he believes he cannot win because the Standards and Privileges Committee will back Sir Gordon.

Tim Smith was more contrite. He said: "I am very sorry that my conduct, as Sir Gordon Downey has described it, fell well below the standards expected of MPs.

"I can only say in my defence that it seemed less obvious at the time than it does with the benefit of hindsight what was the right course of action to take."

The Labour Party last night called for Hamilton and Smith to be expelled from the Conservative Party. Downing Street said: "We are taking action as a government on party funding and the corruption of MPs. We have emphasised repeatedly we will raise standards in political life."

William Hague, the new Conservative leader, was much less forthright, echoing John Major's long defence of Mr Hamilton's position that he should not be condemned until he has had his opportunity to defend himself in public.

"The individuals concerned will wish to consider how they wish to respond to Sir Gordon Downey's serious findings. The Conservative Party wishes to see such matters fairly and rigorously dealt with," Mr Hague said.

Robert Sheldon, chairman of the Commons Standards and Privileges Committee, said: "We shall be open to representations from any of those that are mentioned in the report." Mr Sheldon added the people who were the subject of the report had been asked to produce a memorandum for the committee within 14 days.

Quentin Davies, committee member and Conservative MP for Stamford, said that throughout the affair there had been allegations, rumours, innuendos, claims and counter-claims.

"After all of that, now you can be certain that the facts have been effectively established ... the most important things in terms of public confidence in our institutions is that everyone should be confident that there is no danger of a cover-up. That is absolutely vital."

The committee will prepare its final verdict later this year.

Damning evidence

'On October 1 last year we called Neil Hamilton "A liar and a cheat". That verdict is now official. Sir Gordon's report is a complete vindication of all the work by the Guardian over nearly four years. It is a detailed, thorough and damning demolition of every single lie that Neil Hamilton has spread'

— Alan Rusbridger

'Disappointed and devastated' . . . Neil and Christine Hamilton after yesterday's damning verdict PHOTOGRAPH: SEAN SMITH

Downey on Hamilton

☐ The evidence that Mr Hamilton received cash payments directly from Mr Al Fayed in return for lobbying services is compelling; and I so conclude.

☐ Mr Hamilton deliberately misled Michael Heseltine about his financial relationship with (the lobbyist) Mr Greer.

☐ Mr Hamilton's credibility has suffered increasingly serious damage, particularly as a result of his unwarranted attack on the honesty of the Guardian's journalists.

Downey on Smith

☐ Smith accepted between £18,000 and £25,000 from Fayed in return for lobbying services

☐ The way payments were received and concealed fell well below standards expected of MPs

☐ Smith persistently and deliberately failed to declare his interests

The final, unequivocal and damning verdict: Guilty, as charged

Comment

IT BEARS saying again: British public life is amongst the least corrupt in the world. We have no Bettino Craxi, Gianni de Michelis or Bernard Tapie here; no Mafia, no pork barrel. The sums involved in Westminster corruption make the Americans, the Spanish and even (see Mr Haughey) the Irish laugh. The great majority of MPs have always been honest, decent and hard working. But this bears saying again, too: there was in the late eighties the beginnings of a significant culture of corruption at Westminster. A small group of politicians began to get a sniff of the rich pickings that were dangled before them by the lobbying companies mushrooming all around. They liked what they smelled and began to take advantage of the muddled rules on registration to indulge themselves to an increasingly lavish extent. When even Ian Greer in his autobiography writes disapprovingly of the shamelessness of the greed-driven MPs he encountered during that period you get some measure of the climate of the times. It was not corruption on a vast scale, but it was not nothing, either; and the complacent sneers of MPs and commentators as the villains were exposed over the past four years did no favours to the cause of honest politics in this country.

Now there is an official verdict, and that verdict is: Guilty, as charged. Men who rose to hold the highest positions in British political life took secret sums of money to represent in Parliament a company under the threat of investigation by the DTI. They took gifts, holidays and cash. They did their best to cheat the Revenue. They charged their own constituents to represent them. They concealed their gifts, their holidays and their money from their own colleagues and from the voters. They lied to the press, they lied to their colleagues and lied to their superiors. When cornered some lied more elaborately and more viciously. Like Jonathan Aitken, they smeared their accusers and, repellently, sought to destroy careers. In this, they found willing accomplices in parliament and even in some areas of the press. Taken as a whole, it is perhaps the most unedifying episode in political life since the war.

All this, and more, is chronicled in Sir Gordon Downey's door-stopping 896-page report, published yesterday. Lord Salmon, who chaired a Royal Commission on Standards of Conduct in Public Life in 1974, wrote: "Corrupt dealings are secretive. Few, if any crimes, are harder to prove." There can be no doubt that Sir Gordon has done just that in a meticulous work of great care and balance. Every scrap of evidence has been weighed and tested. In some cases Sir Gordon has even subjected disputed documents to forensic ESDA analysis. His conclusions are deliberate and compelling. Mr Hamilton has the right to protest, and protest he inevitably will. But it was he who chose Sir Gordon, having failed in the courts. Let him sulk around the studios for £75 a throw, but it is apparent to all that he is finished in public life, and it would be better for him quietly to come to terms with that finality.

Does self-regulation then work? Let it first be said unequivocally that this whole affair was the result of the failure of self-regulation. It was the work of the press and the press alone which led to the creation of Nolan and the subsequent reforms. Let it also be said that Sir Gordon's work would in all likelihood have been impossible without access to mountains of documents obtained on discovery through the courts; without the fruits of months of work by our reporters and without the Guardian spending tens of thousands of pounds in legal fees to assist him. That is a poor precedent for future complainants.

It is no disrespect to Sir Gordon to say that it would be better in future for cases of this complexity and size to be dealt with by a Tribunal of Inquiry. It is also right that future Hamiltons and Smiths should not be able to hide behind parliamentary privilege, but should be prosecuted in the criminal courts, just as local councillors are. In any event, the rules should be changed to allow Sir Gordon to publish his own report rather than depend on a nod from the Standards and Privileges or to be frustrated by a prorogued parliament. And one final thing: can we *please* reform the libel laws?

Inside

Britain
Investigations into police misbehaviour are being thwarted by soft inquiries by fellow officers and the use of the right to silence.
5

World News
A fresh power crisis hit the troubled Mir space station, forcing the crew of three to use up precious rocket fuel.
6

Finance
Five pages of Budget analysis include details of the biggest hospital building programme in the history of the NHS.
11

Sport 97
Yesterday's defeats of Tim Henman and Greg Rusedski turned Court One into the newly appointed graveyard of British tennis
2

Comment and Letters 8; Obituaries 10
Sport 97
Quick Crossword 15; TV & Radio 16; Weather 16

27
9 770261 307354

Dole claimants who refuse jobs or training options to lose all benefits ☐ New Deal sanctions link rights with obligations, insists Blunkett

Welfare to work sets tough terms

Seumas Milne and Richard Thomas

YOUNG dole claimants who refuse to take up any of the jobs or training options offered under the Government's welfare to work deal announced in the Budget will lose all their benefits, ministers announced yesterday.

Revealing the unexpectedly tough regime — a 40 per cent benefit penalty had previously been suggested — David Blunkett, the Education and Employment Secretary, rejected claims that the penalties were "draconian", and insisted the sanctions simply linked rights with obligations.

Mr Blunkett was fleshing out the details of what is intended to be the Government's flagship jobs and training policy, designed eventually to take some 250,000 18- to 25-year-olds off the dole and put more than half the long-term unemployed into subsidised jobs or training.

The £3.5 million New Deal programme aims both to cut the claimant count and increase the employability of some of the most excluded of the jobless. But government advisers are acutely aware that the schemes could be swamped by job losses if the economy goes into a sharp downturn and unemployment builds up again.

They are hoping that a mixture of higher taxes announced in the Budget on Wednesday, and modest interest rate rises, will produce a "soft landing" rather than a deep recession. But fresh signs of a consumer-led boom added to fears yesterday that the newly-independent Bank of England could raise interest rates again next week to clamp down on the economy.

The Confederation of British Industry said that retail sales remained buoyant last month, despite the wet weather, leading City analysts to suggest that interest rates may be as high as 8 per cent by the end of the year.

The sanctions regime for the under-25s who refuse to take part in the New Deal programme is essentially the same as that introduced as part of the Tory government's Job Seeker's Allowance last year.

After a four-month "gateway" induction period, when they are to be given a crash preparation course for entry into the labour market, the young unemployed will be presented with four options: a private-sector job with a wage, for which the employer gets a £60-a-week subsidy and a training organisation gets £750 for one-day-a-week training; work with a voluntary organisation, or with an environmental task force, on benefits plus a £400 grant; or full-time education or training.

If they refuse to take up any of the options without "good reason", all benefit will be withdrawn for two weeks, four weeks and then indefinitely. As under the JSA, the penalty will only be a 40 per cent loss of benefit if the claimant is deemed "vulnerable" — for example if he or she has dependents or is pregnant.

What sets the New Deal penalties apart is that ordinary JSA claimants — more than 12,000 lost all benefits in the first three months of the year for refusing to jump through the required job search hoops — are rarely offered any kind of job, let alone the array of options guaranteed under the New Deal. But Mr Blunkett said he did not believe young unemployed people would be forced on to the streets, as happened after the Tories withdrew benefits from 16- and 17-year-olds.

Andrew Smith, the employment minister in day-to-day charge of the New Deal schemes, said the penalties were "tough but fair. These are all quality options — quality has to run through this programme like a seam of gold. But for fit young people, continuing on benefit is not going to be an option."

Mr Smith said employers who tried to substitute New Deal workers for existing employees, or to pocket the subsidy to take on young workers they would have hired anyway — reckoned to be inevitable by independent analysts — would also face penalties.

The older, long-term unemployed covered by the other main part of the New Deal programme — which will subsidise employers to the tune of £75 a week to take them on for six months from next summer — will not be guaranteed a job, and will therefore not be subject to the same sanctions.

But the potential problems of job substitution and the risk of pulling down wage rates will still apply.

Striking a pose on life and art

Review

Michael Billington

The Seven Sacraments of Nicolas Poussin
Royal London hospital

AFTER me, says the Anthony Blunt-like hero of John Banville's new novel, Poussin cannot be what he was before. Neil Bartlett might make a similar claim after this extraordinary, unclassifiable show which mixes art history and meditation on matters of life and death.

The evening begins with the audience being ushered into a lecture theatre in the bowels of a Whitechapel hospital. Bartlett arrives in doctor's coat and proceeds to give us the historical background to Poussin's seven great paintings which hang in the National Gallery of Scotland. We learn that they were painted between 1644 and 1648, that they were originally meant to be viewed in solitude, and that they depict both biblical incidents and the sacraments of confirmation and extreme unction.

What starts as a lecture, however, quickly turns into something else. Bartlett explores the themes and visual motifs of each individual painting. He strikes poses and relates the works to his own experience.

What is Bartlett up to? Running through the evening is a highly moving vein of religious nostalgia; a sense that we may well be the last generation that will understand the Book of Common Prayer or the rituals depicted in the Poussin paintings.

But Bartlett goes beyond that to suggest that the ceremonies depicted by Poussin still have some echo in our own experience.

Bartlett achieves several things in this unique show. He illuminates Poussin's work in a way that makes one want to rush off to Edinburgh to re-examine the original paintings. But, best of all, he reminds us that anything is possible in theatre; not only that you can endlessly reinvent the form but that it is one of the places where a group of total strangers can foregather and be reminded of their common humanity. Religious worship may be in decline, as Bartlett implies, but the act of theatre can become a form of holy communion.

This review appeared in later editions yesterday.

Streets of hate

An undercover Israeli soldier threatens a Palestinian with a gun during unrest in Hebron PHOTOGRAPH: RULA HALAWANI

Israeli troops resort to undercover tactics in Hebron's firing line

Julian Borger reports on the stone-throwing youths setting the region's news agenda

YARD for dusty, littered yard, it must be the most closely watched stretch of asphalt on the planet. At 10am yesterday, the world's photographers and cameramen gathered as usual at a tea shop on the street corner where a fortified Jewish enclave has been chiselled into Hebron's old market.

By 10.30 clusters of Palestinian boys aged from eight to 16 began to form, running in and out of the shoppers collecting stones and weighing them in their slingshots. Over the next hour a score of these lads would set the news agenda for the Middle East.

On Saturday, in this same corner of the market, a 26-year-old Jewish Russian immigrant, Tatyana Suskin, won international notoriety (and a rebuke from the White House) by pinning up a cartoon of a pig scrawled with the name of the prophet Mohammed. Ms Suskin was charged yesterday, but the rioting her photocopy ignited shows no signs of abating.

The Palestinians have begun using pipe-bombs — lengths of metal pipe stuffed with explosives — one of which cut the legs of two Israeli soldiers to shreds. The Israeli Defence Force (IDF) has retaliated with live ammunition, and there are Palestinian boys in Hebron's hospital to prove it.

On Wednesday night, the Israeli defence minister, Yitzhak Mordechai, had threatened to use "an iron fist" if the rioting did not cease.

"What more can they do to us?" shrugged the cafe proprietor and his regulars yesterday. The answer, it turned out, was already in their midst.

At 10.45, as the heat settled in Hebron's alleyways, the first stones of the day headed towards the concrete-reinforced edges of the Jewish settlement, causing consternation among the shopkeepers.

"Wait, in the name of God, wait," shouted an ironmonger whose shop stood in the line of fire. "Let us do some business first."

He was fighting a lost cause. By 11am older teenagers and young men had joined in. Elderly men, their traditional authority leached away long ago by the daily violence, scurried away up the street.

They expected a stampede of Israeli troops and a hail of rubber bullets but by 11.15 it had still not come. So much for the iron fist. The market boys grew bolder, venturing ever closer to the gates of the settlement. At 11.30, with still no response from the IDF, a grinning Palestinian in his early twenties produced an Israeli flag and set fire to it.

Pandemonium broke out. Some of the men in the throng turned on the flag-burner and a handful of stone-throwers, wrestling them to the ground. There was a moment of confusion — these men had been part of the crowd and yet suddenly seemed different, more robust. A few had taken off their shirts to use as masks.

In a few seconds it all became violently clear. Troops ran out from behind their barricades to assist the mystery men, pointing guns at the heads of the struggling rioters. With a carefully aimed boot between the legs, one soldier reduced a Palestinian to squirming agony. The Israeli undercover men dragged him and six others inside the settlement gates.

The crowd evaporated as Israeli troops converged from every angle. One platoon — teenagers themselves — used a sledgehammer to break into a primary school.

The headmistress emerged weeping as the nervous conscripts overturned desks and chairs, possibly in the suspicion that Molotov cocktails or pipe-bombs had been launched from there.

By noon, a couple of Swedish observers in grey uniforms arrived. Patches on their arms spelled out one of the international community's lamer acronyms: TIPH, Temporary International Presence in Hebron.

One knocked on the school door. "Good morning. I'm from the TIPH organisation," he ventured. "Shall I wait outside? . . . Okay."

A TV-Bahrain reporter was outraged. "What are you going to do? Don't you think that something has changed here? Isn't it getting more serious," she yelled.

The Swedes refused to comment. They knew what it meant to be part of a toothless international mission, having served with the UN Protection Force in Bosnia.

It was 1pm and outside the boys had regrouped and stones were bouncing off the hot tar road. The regular crack of Israeli rifles began marking off the remains of the afternoon.

Short-sighted Disney stumbles into Magoo film controversy

America's blind demand group drops 'offensive' Christmas film

Martin Walker in Washington

ALREADY boycotted by Southern Baptists for being too gay-friendly, the Disney group yesterday continued its innovative business strategy of offending customer interest groups by taking on the National Federation for the Blind.

The 3,000 delegates at the federation's annual convention have unanimously passed a resolution demanding that Disney drops production of its new Christmas comedy, which stars Leslie Nielson as the visually-challenged cartoon character Mr Magoo.

"The Disney people have dragged Mr Magoo back from richly-deserved obscurity in the hope that Americans will think it funny to watch an ill-tempered and incompetent blind man stumble into things and misunderstand his surroundings," said Marc Maurer, president of the federation.

But Disney's battle-hardened publicity department protested yesterday. "The movie portrays Mr Magoo as a kindly gentleman who is near-sighted, not blind, and does not in any way make fun of or demean blind people.

"While his eyesight contributes to some humourous confusion, it does not stop him solving the crime and becoming the hero of the movie," Disney went on.

Disney may entertain 150 million people every day, as the latest advertisements boast. But such a degree of dominance means that it ends up irritating almost as many. Possibly even more, considering the howls of outrage from Beijing over Disney's imminent release of a film which suggests that Tibet may not be quite as promising an experiment in "one country, two systems" as Hong Kong.

The NFB's 50,000 members are asked to take "whatever action appropriate" to ensure that they and their friends boycott Disney and its products, since Mr Magoo is to them "as offensive as Little Black Sambo and Amos 'n' Andy" are to African-Americans.

Mr Magoo, born in 1949, was the subject of 130 film and television cartoon shows until he was retired in 1966.

Disney bought the rights two years ago, but may now wish it had never set eyes on the project.

Not buying Dell? No more excuses.

DELL DIMENSION™ XPS H233
- INTEL PENTIUM® II PROCESSOR 233MHZ
- 32MB EDO RAM
- 512KB INTERNAL CACHE
- 3.2GB EIDE HARD DRIVE
- NEW STB NITRO 3D GX 64-BIT PCI GRAPHICS CARD WITH 4MB EDO VIDEO MEMORY
- 15" COLOUR SVGA MONITOR (13.75" VIEWABLE AREA)
- 3 PCI, 2 ISA AND 1PCI/ISA SHARED EXPANSION SLOTS
- 12/24X CD-ROM DRIVE
- INTEGRATED 16-BIT SOUND
- MID-SIZED DESKTOP CHASSIS
- MICROSOFT® OFFICE 97 SMALL BUSINESS EDITION

£1,299 (£1,555.70) incl. delivery & VAT

MMX intel inside pentium II

Now is your chance. We're giving away the Dell Dimension XPS H233 incorporating the most advanced Pentium® II processor for the unbelievably low price of £1,299 (£1,555.70 inc del. & VAT). *And to give you no further excuses there's a free set of speakers* for the first 250 customer orders.* All from the world's largest direct PC manufacturer.** Visit our website or call us today.

LATEST TECHNOLOGY PENTIUM® II PROCESSOR BASED SYSTEM

DELL®

GET ONLINE TO THE NUMBER ONE
01344 724673
BETWEEN 8AM AND 8PM WEEKDAYS, 10AM TO 4PM SAT
Visit: www.dell.com/uk

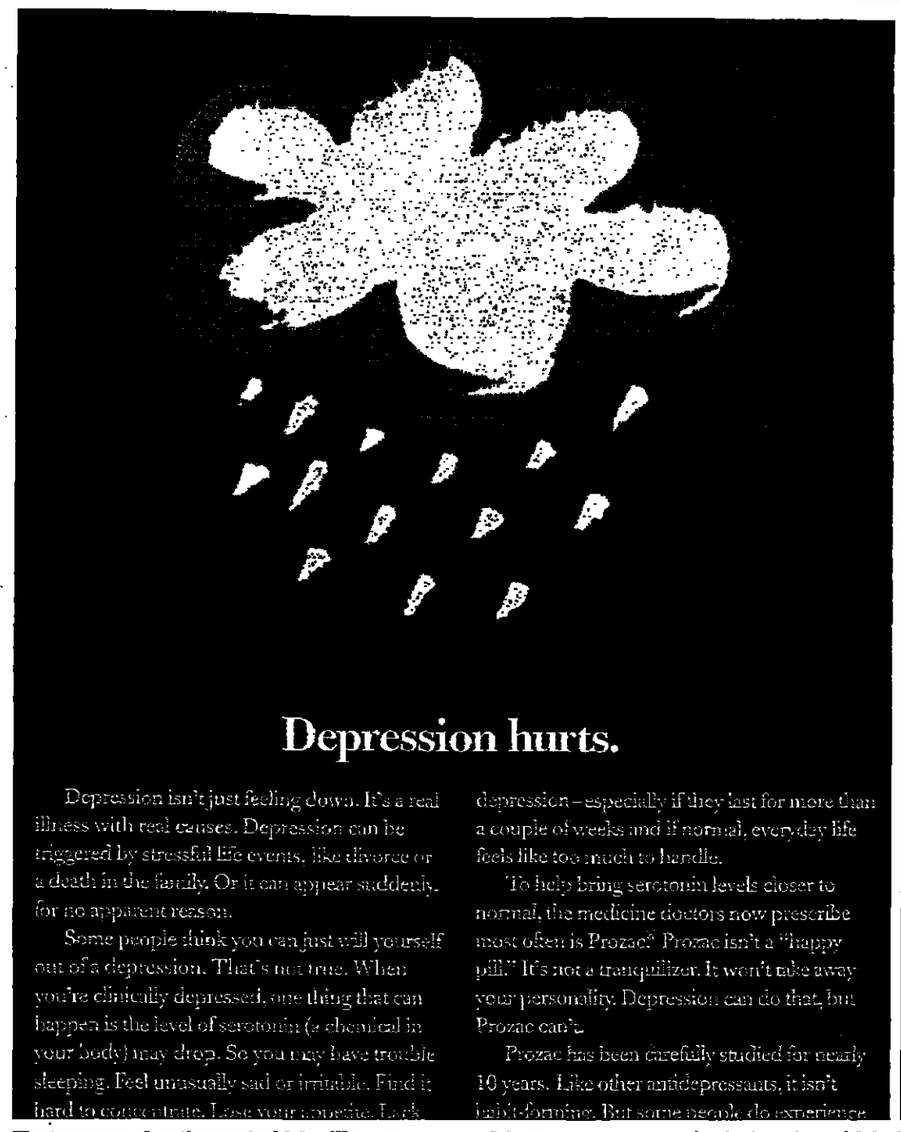
Dell and the Dell logo are registered trademarks and Dell Dimension is a trademark of Dell Computer Corporation. The Intel Inside logo and Pentium are registered trademarks and MMX is a trademark of Intel Corporation. Microsoft and Windows are registered trademarks and Office 97 is a trademark of the Microsoft Corporation. Delivery at £25 (£29.37 incl VAT) per system. Finance is available subject to status. Full details available on request. Prices correct at date of publication. The photographed product may not always match the specifications in this advert. Prices quoted refer to specification descriptions only. The prices listed reflect the information available at the time of going to press. Prices change frequently. All prices and specifications are subject to change without prior notice or obligation. Offer supplied with Windows 95. Dell mouse and keyboard included. Dell Products c/o. Hilbanke House, Western Road, Bracknell, Berkshire RG12 1RD. Offer available for a limited period only

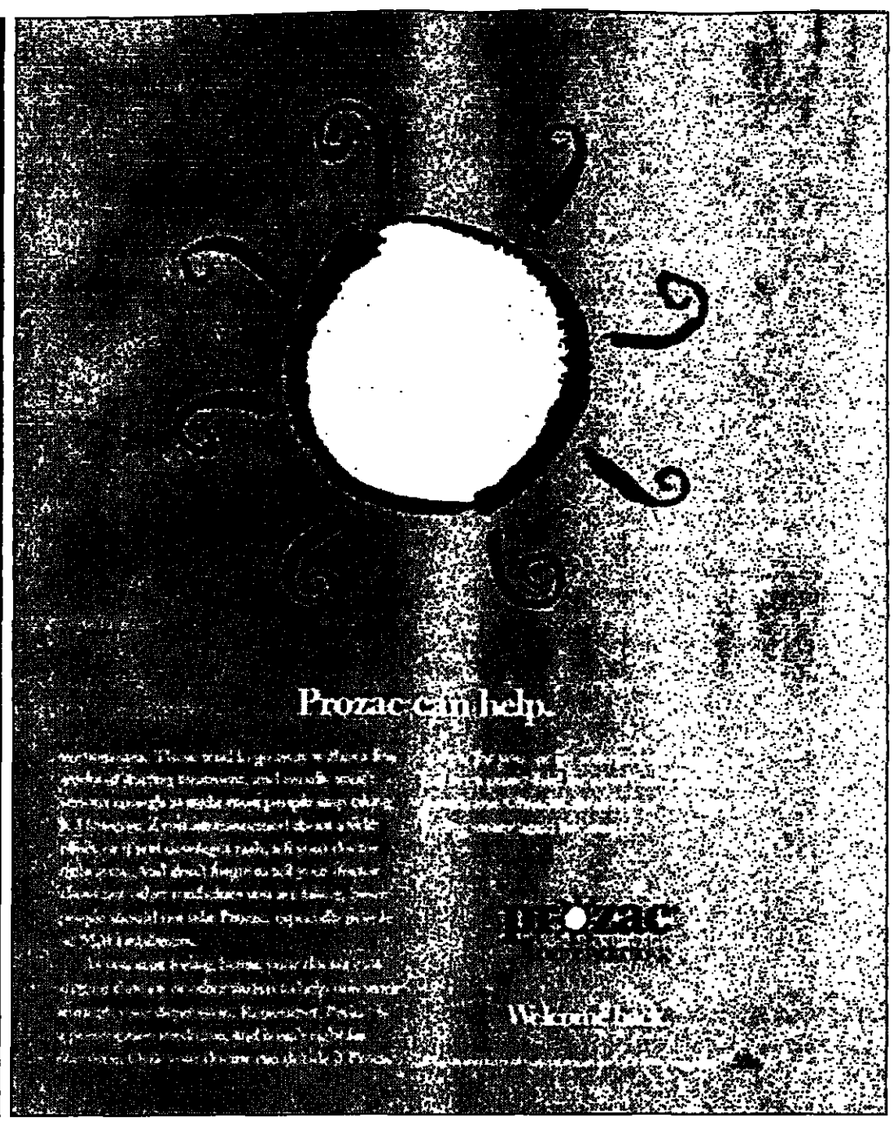
هكذا من الاصل

هكذا من الأصل

Ads directed at depressed are condemned

'Increasingly anti-depressants are being used because people say they feel shy or anxious in a social situation. The government is trying to get people to say 'no' to illegal drugs yet there is absolutely no regulation surrounding the promoting of anti-depressants'





The two-page advertisement which will appear next week in 20 consumer magazine in America, with its image of pre-Prozac gloom, left, and post-Prozac sunshine and happiness, right

Sun rises on Prozac-popping America

Joanna Coles in New York

IN A move which has revived the debate over the drug Prozac, depressed Americans are for the first time to be directly targeted with a series of advertisements for the anti-depressant.

Two-page colour advertisements depicting a dark rain cloud followed by a bright sun will appear next week in 20 consumer magazines including Newsweek, Time, Cosmopolitan and Marie Claire. The campaign, announced yesterday, has stoked the debate over whether the drug is too widely used already.

Though Prozac is available only by prescription, Eli Lilly, makers of the best-selling anti-depressant in history, have decided to fend off competition from other drug companies by going over doctors' heads and targeting patients. The commercials are aimed at getting patients to diagnose themselves as depressed and then to ask their doctors for the drug by name.

If the campaign proves successful overseas markets will also be targeted. However, advertising prescription drugs in Britain directly to patients is illegal.

Yesterday Sidney Wolfe, director of a Washington-based health research group, said the advertising was a sinister development. "It is an appalling statement about how desperate a drug company is to expand its market share."

Prozac has been the undisputed market leader in anti-depression drugs since it came on the market in 1987. It was heralded as a breakthrough drug because of the absence of side-effects such as a dry mouth and constipation, associated with older alternatives.

This year its worldwide sales are estimated to reach $2.6 billion (£1.6 billion). But sales are no longer growing at previous levels. In 1994 for example, Prozac sales grew by 37 per cent. It is under threat from new drugs, including Zoloft, manufactured by Pfizer, which sells half as many tablets as Prozac, but is expected to grow by 24 per cent this year.

Andrew Hodgekiss, director of marketing plans for Eli Lilly, justified the campaign saying 17.6 million Americans suffered from depression. "At least a third of them are not getting treatment," he said.

But there are fears that in a culture which coined the phrase "There's a pill for every ill" Americans are increasingly relying on anti-depressants for inappropriate reasons.

Earlier this week the Wall Street Journal suggested anti-depressants were useful to combat stage fright. "Increasingly they are being used because people say they feel shy or anxious in a social situation," said Dr Wolfe. "Of course depression hurts, but many people naturally feel sad because of a work situation or to do with the family or a difficult marital set up. A pill can't cure that.

"The government is trying to get people to say 'no' to illegal drugs and is very pious about mind-altering substances, yet there is absolutely no regulation surrounding the promoting of anti-depressants."

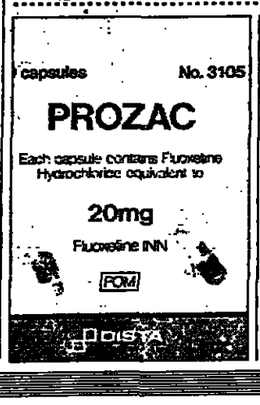
The first page of the advertisement shows a dark cloud with rain falling, under which the words "Depression Hurts" appear. The opposite page bears a bright yellow sun with the words "Prozac can Help", followed by the phrase "Welcome Back!" It also points out Prozac's possible side-effects, including insomnia and upset stomach.

Toby Sachs, account director at Leo Burnett, the agency running the campaign, said the art work was inspired by talking to more than 900 people who said they were depressed.

"We asked them to draw their depression, and one woman stood out in all our minds. After three minutes she turned and said, 'Is there any more black?' "

The commercial is the latest in a new trend of "emotional advertising" from drug companies. Last year, Merck advertised their drug Fosamax, to combat osteoporosis, showing a middle-aged woman walking around a picturesque lake, smiling because she was no longer afraid.

Little helper



☐ Prozac, popular name the "happy pill", chemical name fluoxetine hydrochloride, was introduced as an antidepressant in 1987.

☐ It is the world's fastest selling antidepressant, also used in the treatment of bulimia and obsessive compulsive disorder.

☐ The little green and white capsules are the first generation of selective serotonin re-uptake inhibitors (SSRIs), which assist the brain retain serotonin, a lack of which is linked to depression.

☐ Prozac is said to be non-addictive and impossible to overdose on.

☐ A minority of Prozac users have blamed the drug for violent mood swings and suicidal behaviour. The manufacturer, Eli Lilly, has been hit with legal actions in the United States.

☐ The 1990s love affair with the drug inspired Elizabeth Wurtzel's book Prozac Nation and prompted the US doctor Peter Kramer, author of Listening to Prozac, to coin the phrase "better than well".

Classic FM launches own label

Dan Glaister on station's ploy to reverse decline in sales of classical music discs

CLASSIC fM

WE HAVE had classical mini-discs, bikini-clad violinists and and a tortured Australian pianist. The latest attempt by the classical music industry to haul itself out of the doldrums and back to the highs of five years ago arrived yesterday with the launch of Classic FM's own record label.

In a venture with the record company BMG, Classic FM's target group is the 6 million potential record buyers identified by its market research. The label will draw on the core repertoire so beloved of the station's programmers, releasing new recordings of old favourites.

Robert O'Dowd, enterprises director at Classic FM, said: "We aim to be the route into the curiously inaccessible world of classical music. We are targeting people who have never herd of Decca, EMI Classics or Naxos." The Classic FM discs will retail at £10, above the £5 for budget labels such as Naxos but below the full price of labels such as Deutsche Grammaphon.

The recordings would reflect choices for the station's Hall of Fame, its annual listeners' poll of favourite music, he said. "If you're going into anything for the first time you're going to go for the greatest hits. But we want to find new artists, and we may even commission some compositions."

Classical music sales are in steady decline, although some observers point out that the sector is merely returning to its natural state after the artificial highs provided by such artists as the Three Tenors.

"There is a great anxiety in the industry," said Mr O'Dowd. "It is confused. We have to turn it around."

Many observers, however, will be alarmed by the joint venture. Some fear it will call into question the station's independence, while others say a new collection of the core repertoire will merely flood an overcrowded market.

Music critic Robert Cowan said: "There is a contradiction. Record companies will say that core repertoire is not selling. They are trying every trick they can think of. They are desperate to revisit the territory of a few years ago.

"But they may be misjudging the Classic FM audience. Going out to buy a disc is very different from turning on the radio. Classic FM is essentially an easy listening station, which doesn't necessarily mean you want to go out and buy the music."

Simon Foster of BMG said: "I don't subscribe to the doom and gloom philosophy. It is a tough market, and what we are really waiting for is a new format. This new collection will provide a focus for people who get confused when they go to buy classical music."

Mr Foster denied that Classic FM might give favourable treatment to its own records, which could alienate other record companies. "It's a blindingly simple idea, and I'm sure other companies are kicking themselves that they didn't think of it first.

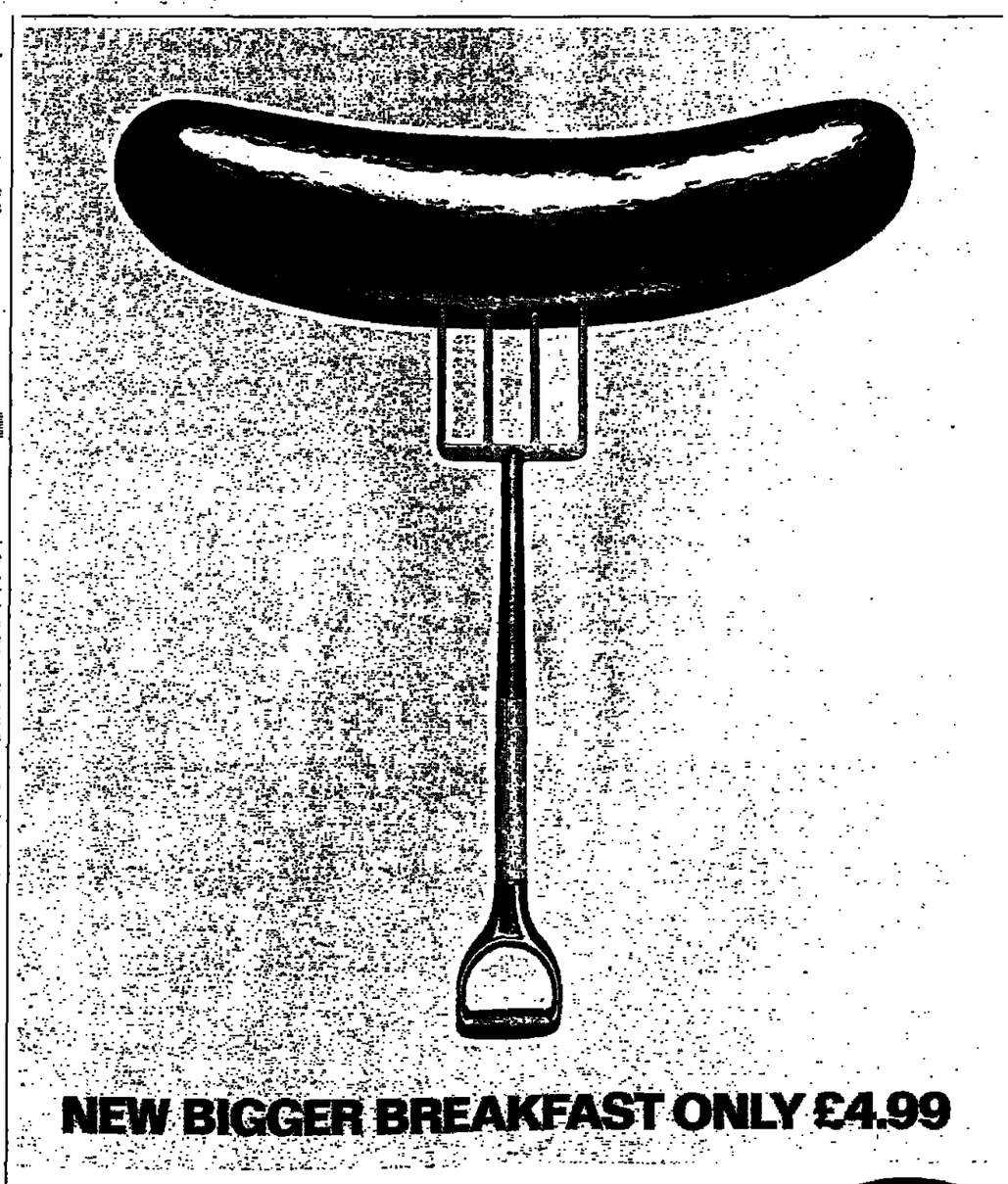
"BMG approached Classic FM and found like-minded people. I don't think there is a conflict of interest between the two. Other record companies should not be worried. Their records will continue to be played, but should [the new] records chart, then they will receive coverage."

Although Classic FM showed a profit for the first time this year, critics point to the weaknesses of its diversification. The station has spawned partner stations in Europe and has released compilation albums in the past. It has changed from being a broadcaster that promoted composers such as Gorecki to one concentrating on what detractors term "classical lite".

The first 10 discs in the collection will be released in the autumn.

"If there is one piece of the Northern Ireland conflict above all which confirms mainland bafflement, it's the summer marching season. For the best part of the year there are talks, and there might be bombs and shootings too, but the problem and its progress make sense of sorts" *(Decca Aitkenhead)*

Comment, page 9



NEW BIGGER BREAKFAST ONLY £4.99

If you like a breakfast on the substantial side, you should try the Little Chef Bigger Breakfast for size.

It includes a glass of orange juice and a choice of Kellogg's cereals followed by a full cooked breakfast including egg, best back bacon, prime pork sausages, tomato, fried bread and as much buttered toast and preserve as you can eat.

LITTLE CHEF

We reserve the right to withdraw the whole or part of this promotion without prior notice.

Rumours rife as new chief moves in

C4 comedy chief quits

Andrew Culf
Media Correspondent

THE man behind the Channel 4 comedy hits Father Ted and Drop the Dead Donkey, quit the station yesterday after 13 years — two days after the arrival of new chief executive Michael Jackson.

Seamus Cassidy, senior commissioning editor for comedy and entertainment, helped develop the station's relationship with Chris Evans, working on the shows Don't Forget Your Toothbrush and TFI Friday. He also commissioned Whose Line Is It Anyway? and Rory Bremner — Who Else?

Sources at Channel 4 said Mr Cassidy had been unsettled for 12 months and his departure was not directly related to the arrival of Mr Jackson on Tuesday as Michael Grade's successor. Channel 4 staff are, however, braced for a wave of changes.

Mr Cassidy, who has been released from his contract, is joining Planet 24 — the independent production company responsible for The Big Breakfast — as a senior producer. He said: "Anyone who knows me is aware my heart has been wandering towards programme-making in recent times." Waheed Alli, Planet 24's joint managing director, said he had long been trying to recruit him.

Mr Jackson said: "Seamus has been a major architect of Channel 4's distinctive success over the years."

Speculation at Channel 4 has intensified over the future of John Willis, director of programmes, who had sought the chief executive post. Insiders said he was in negotiations about his departure.

Mr Jackson, who transformed the fortunes of BBC2, is expected to adopt a more hands-on role at Channel 4 in commissioning and scheduling programmes.

Mr Cassidy's is the latest in a series of changes among Channel 4's top executives. David Stevenson, commissioning editor for youth and entertainment, who was responsible for Eurotrash and The Girlie Show, resigned in May to join the independent sector. The channel's longest-serving commissioning editor, Farrukh Dhondy, responsible for multicultural programming, is also leaving.

Seamus Cassidy . . . 'a major architect of C4's success'

One of the George III chairs produced by 18th century master craftsmen which sold for £1.7 million PHOTOGRAPH: REBECCA NADEN

Secret bidders pay £3.2m for classic furniture

Stuart Millar on a union of craftsmen

ADMITTEDLY it doesn't look like your average front room furniture — two sumptuously upholstered, gilt-wing armchairs, enriched with classical motifs. But yesterday an anonymous bidder was sitting on a considerably smaller fortune after forking out over £1.7 million for the pair, making them the most expensive chairs in the world.

A matching pair of sofas went to another anonymous bidder for £1.5 million during an event dubbed the "furniture sale of the century" at Christie's in London.

The £1,706,500 paid for the chairs outstripped the previous record of £935,000 for a George III mahogany commode sold in 1991. It also beat the £881,500 record for a pair of George I gilt-gasso open armchairs at the Houghton sale in 1994.

Designed by Robert Adam and built by Thomas Chippendale, the chairs and sofas represented the only known collaboration between two of the 18th century's greatest craftsmen.

The chairs and sofas were commissioned in the 1760s as a suite of eight armchairs and four sofas by wealthy merchant Sir Lawrence Dundas, who was known as "the Nabob of the North", for the salon of his London house. Even then, they were no stranger to records. Each armchair cost £20, a princely sum for the time, and the sofas cost £54 each.

The celebrated architect, Adam, was known to have designed the suite, for which he charged £5. But it was not until the 1960s that an account was discovered proving it was built by Chippendale, who described it as being "richly carv'd in the Antick manner".

They remained in the family, and were moved to the family seat at Aske Hall, Yorkshire, in the 1930s. The Dundas suite was one of the earliest examples of the renowned cabinet maker working in the neo-classical style. The frames are enriched with motifs such as pairs of sphinxes, winged beasts and formal acanthus scrolls.

The amount paid for both lots far exceeds the auctioneers expectations. The chairs had been valued between £800,000 and £1.2 million and the sofas between £700,000 and £1 million.

Robert Copley, director of Christie's furniture department, said: "The suite was the best there was in the 18th century. Chippendale is regarded as the best chairmaker in the world and because these chairs are so well sculpted you sit in them and immediately feel comfortable."

SAVE UP TO 50% ON CLEANERS
UP TO 55 TO CHOOSE FROM IN STORE
SAVE UP TO £130 ON REFRIGERATION
UP TO 100 TO CHOOSE FROM IN STORE
SAVE UP TO £230 ON COOKERS
UP TO 120 TO CHOOSE FROM IN STORE
SAVE £100 ON THIS DISHWASHER
UP TO 20 TO CHOOSE FROM IN STORE
SAVE UP TO £90 ON MICROWAVES
UP TO 40 TO CHOOSE FROM IN STORE
THE COMET PRICE PROMISE
INDEPENDENT ADVICE
COMET SALE
YOU CAN'T BUY BETTER this summer
CINEMA IN YOUR HOME
Goodmans HOME CINEMA PACKAGE
SALE PACKAGE £549 SAVE £170
AUTO TEMPERATURE CHECK
ZANUSSI 8.8 GROSS CU.FT FRIDGE FREEZER
SALE £299.99 SAVE £120
PLUS BUY NOW PAY UP TO 12 MONTHS LATER OR INTEREST FREE OPTION
AT YOUR LOCAL STORE THIS WEEKEND
COMET
CALL FREE ON 0500 425 425 FOR LOCAL STORE DETAILS
MOST STORES OPEN SUNDAY AND UNTIL 8PM WEEKDAYS
SAVE £80 ON THIS WASHING MACHINE
UP TO 40 TO CHOOSE FROM IN STORE
SAVE £50 ON THIS VIDEO
UP TO 40 TO CHOOSE FROM IN STORE
SAVE £40 ON THIS NICAM STEREO TV
UP TO 80 TVs TO CHOOSE FROM IN STORE
SAVE UP TO £50 ON HI-FI SYSTEMS
UP TO 90 TO CHOOSE FROM IN STORE
SAVE £90 ON THIS 4 GAME PACK
UP TO 25 PLAYSTATION GAMES IN STORE
SAVE £210 ON THIS MULTIMEDIA PC
A WIDE RANGE TO CHOOSE FROM IN STORE
HOME DELIVERY & INSTALLATION
MONEY BACK WARRANTY

News in brief

Hostages 'in picture months after kidnap'

A PHOTOGRAPH made public yesterday appears to show that the Kashmiri hostages Keith Mangan and Paul Wells were alive months after their capture. It is believed to have been taken towards the end of December 1995 or January 1996, judging by the weather in the background.

James Bowman, campaign director for the Kashmiri Hostages Group, said: "This proves that the men were not killed in a gun battle on December 13, 1995."

The photo was discovered in the Kashmiri city of Srinagar in February 1996 and was revealed to the families shortly after. "We didn't really want to release the photo at the time and we made a decision with the respective families recently to show it at the second anniversary," said Mr Bowman.

Keith Mangan, now 35, from Middlesbrough, and Paul Wells, 25, from Blackburn, were kidnapped at gunpoint by the Al-Faran group on July 4, 1995. The group are campaigning for independence from India. There has been no contact from the kidnappers for more than a year.

Jet in near miss over Essex

A MID-AIR collision over Essex was narrowly avoided yesterday between a Japan Airlines jumbo jet, carrying several hundred passengers and another aircraft believed to have come from either Stansted or Heathrow. The captain of the JAL plane was told to take an "immediate avoiding turn" by air traffic control at Heathrow.

British Airways sources monitoring the incident said the Japanese aircraft performed a 45 degree right turn, and a potential disaster was averted.

The Japanese captain was told that the other aircraft was 200ft below him and closing. The aircraft should have been four miles and 1,000ft apart.

The JAL plane later landed safely at Heathrow. – *Keith Harper*

Fat babies grow up happy

PLUMP baby boys are more likely than skinny children to grow up to be happy men, according to research.

Consultant psychiatrist Ian Rodin, of Southampton university, told the annual conference of the Royal College of Psychiatry yesterday that people who had been podgy babies — especially boys — were less likely to suffer from depression.

He studied health records of people born in Hertfordshire between 1911 and 1930, comparing birth weight with weight at one year. He then questioned 882 of the people, now in their 60s and 70s, and found that the heavier they had been at birth the less likely they were to suffer from depression in later life.

Dr Rodin said it was likely that factors during pregnancy and the first year of a baby's life could alter brain chemistry and hormonal responses that could determine whether a baby would have a sunny or gloomy personality.

He said: "It's likely that the weight of the baby in the womb could affect the development of the hormones which could predispose you to depression as an adult."

Singer with knife broke law

MUSICIAN Chrissie Hynde broke the law when she went to board a plane at London's Heathrow airport carrying a butterfly knife, the High Court ruled yesterday.

Uxbridge stipendiary magistrate Stephen Day refused at a hearing in January to convict Chrissie, aged 45, lead singer with the Pretenders.

But today two judges, who had been asked to clarify the law, unanimously decided the magistrate was wrong.

Lord Justice Henry said "justice would be affronted" if, in every case, oral evidence had to be called to prove the purpose for which such knives were manufactured. However, the ruling does not mean that Hynde will face conviction and sentence.

Budget cut grows back

ON THE front page of yesterday's Guardian the hair apparently growing out of Gordon Brown's hand holding the Budget box, right, was removed.

Alan Rusbridger, editor of the Guardian, said last night it was the paper's policy not to alter photographs electronically. "This was simply an example of over-enthusiasm in our process department but does illustrate just how sensitive the issue is."

Eamonn McCabe, the Guardian's picture editor, will write on the subject in Monday's Media section.

Police sex and race bias 'rife'

Duncan Campbell
Crime Correspondent

INVESTIGATIONS into police misbehaviour are being thwarted by soft inquiries by fellow officers and the use of the right to silence, according to the Police Complaints Authority.

There is also concern at more allegations of sexual and racial harassment of officers by their colleagues.

The PCA chairman, Peter Moorhouse, said yesterday that a tendency to interview fellow officers in a biased, informal way was undermining a number of inquiries.

"We see from time to time leading questions from investigating officers which appear to be designed to give officers under investigation information about the complaint made against them and an opportunity to respond in a light favourable to themselves," said Mr Moorhouse at the launch of the PCA's report for 1996/97.

"Such courtesies are not extended to members of the public being interviewed on suspicion of criminal behaviour and neither should they be extended to officers who are under suspicion of unacceptable behaviour."

Mr Moorhouse also expressed concern that a number of officers, mainly in the Metropolitan police, made use of the right to silence, despite the policy of the Police Federation that officers should cooperate with investigations. In a survey of 819 interviews related to complaints, 13 officers made no comment and 63 made statements and refused to comment further.

There was also concern about sexual and racial harassment within forces. "There is certainly a perception within the public mind that if the police service is unable to manage sexual and racial relationships between officers what hope is there that such relationships will be well managed by individual officers in contacts with members of the public."

Deputy chairman John Cartwright said that on occasions it had been claimed that chief officers had either failed to intervene or had connived in the harassment.

A total of 10,243 cases were considered by the PCA, an increase of 4.4 per cent on the previous year. A total of 1,018 officers were subjected to disciplinary action, an increase of 158. Criminal charges were brought against 16 officers, the same figure as last year.

Racially discriminatory behaviour was the subject of 444 complaints. Four officers found guilty were either dismissed or required to resign and a fifth resigned before a disciplinary hearing.

Other concerns were the numbers of deaths in police care or custody of which there were 48, an increase of two on the previous year.

The PCA would like the ability, enjoyed by the new Criminal Cases Review Commission, to appoint in exceptional cases investigators from outside the police, said Mr Moorhouse. They would also like to be allowed to be more open with the public about the inquiries.

No more Ladas – the car that nobody ever loved

The Lada — the make never did achieve the reverse status of a Robin Reliant

Clare Longrigg

HEAP, ugly and reliable only for its frequent breakdowns, the Lada was the perfectly unfashionable family car. Yesterday importers in Humberside gave up the struggle to sell this most unappealing of vehicles: after over 20 years, the Russian-built car will no longer be sold in the UK.

First imported to Britain in 1973, by the mid-1980s the Lada had attracted some loyal owners amid general scorn.

Wiltshire police lent the car some credibility, or dented their own, when they bought a fleet of Lada Cossack jeeps in 1990. The car found a friend in pensioner Bill Dales, who took delivery of his 24th Lada in 1992. "They keep going and they're roomy," he insisted.

But the car never achieved the anti-fashion cult status of the Robin Reliant, and after over 20 years and as many schoolboy jokes about its poor performance, the Lada's manufacturers have finally admitted defeat.

After a failed rescue bid, Russian manufacturers AvtoVaz have thrown in the spanner. Yesterday they announced that no more new Ladas will be imported at their Humberside centre, with the loss of 70 jobs.

Problems obtaining an American-made part to keep down fuel emissions finally proved insurmountable. However, the 100,000 surviving Lada owners in the UK will be mightily relieved to learn they will still be able to get parts and servicing.

Some will not mourn the car's passing. One British woman had to have her brand new Lada fixed 27 times in three weeks. Motoring correspondent Jeremy Clarkson said manufacturers should equip every car with a brown paper bag with eye holes, "so no one would spot you driving it".

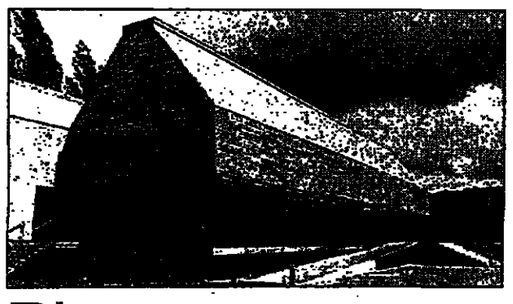
Knock, knock, it's a Lada

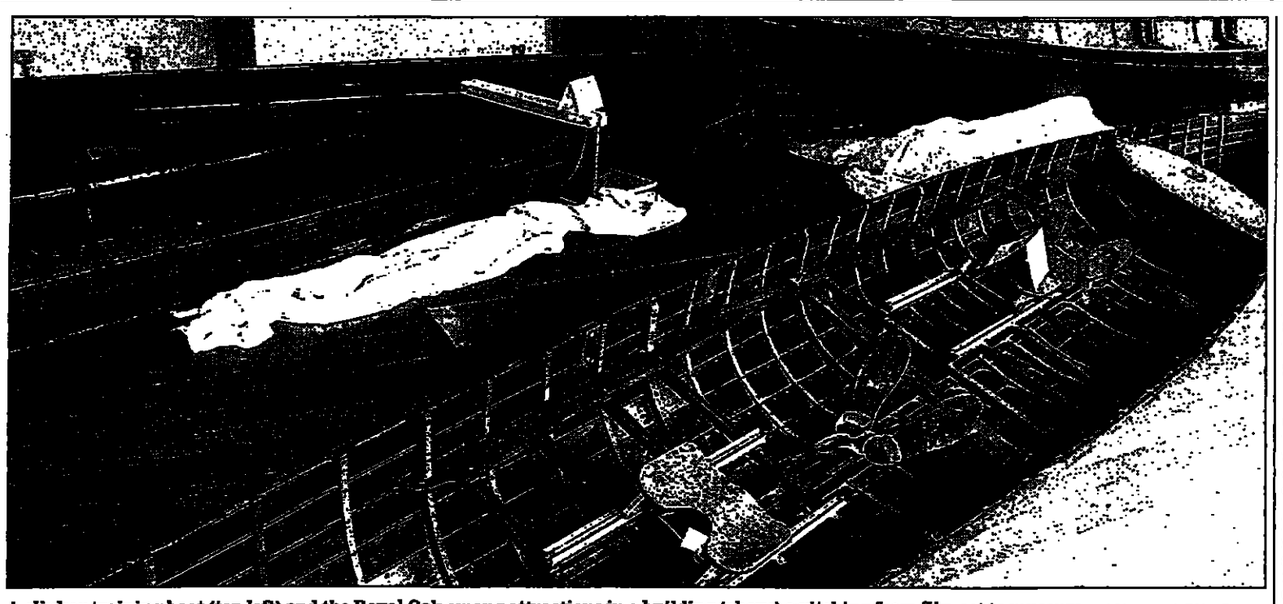
Why does a Lada have a heated rear window?
To keep your hands warm while you're pushing it

How do you double the value of a Lada?
Fill it up with petrol

What's a Lada at the top of a hill called?
A miracle

What's a Lada going down a hill called?
An accident waiting to happen





A clinker training boat (top left) and the Royal Oak among attractions in a building (above) switching from film set to museum PHOTOGRAPHS: TOM JENKINS

River museum rivals rain-soaked regatta

Maev Kennedy finds something a little different to do in Henley despite the wet

IT'S Henley Royal Regatta, and it's raining. Leander Rowing Club won't let you in because you've got the wrong colour socks. The hospitality tents won't let you in to watch Wimbledon on telly because you're not a corporate suit. But there is, at last, something else to do in Henley in the rain.

Officially the River and Rowing Museum won't open until next summer, but visitors to the regatta this weekend are invited to tour the building and an exhibition of photographs which proves that it always rains at Henley-on-Thames.

The building, designed by David Chipperfield and nominated for several architectural awards, has been earning such a good living as a film location that the commercial manager is a little sad it has to be spoiled by putting in a museum.

The light, high rooms, with the river glinting beyond the willow trees pressed against the windows, star in advertisements for Pantene, Debenhams and Grundig. A new boy band, Alibi, has just made the video for a remix of Sexual Healing.

The building was completed last winter, and its modern lines, bright steel roof and oak cladding provoked some moaning in a notoriously conservative town. Mr Chipperfield's explanation that it was partly inspired by Oxfordshire barns did nothing to calm the outraged correspondents to the local paper. In high soggy summer, however, roof and timber are already silvering, the building is almost invisible behind the trees, and the tourist office is commending it as an outstanding attraction even before it opens.

The museum is still collecting, but the official first exhibit is already in: the boat that saved Britain's face at Atlanta. Steve Redgrave and Matthew Pinsent have loaned the boat, presented to them by its builders, Aylings of Weybridge, in which they won Britain's only gold medal at the Olympics last summer.

Their boat weighs only 27kg. Compared to it, the world's oldest surviving racing boat, collected for the museum from Ireland, is a half-ton leviathan. Royal Oak was built for the Baillie family of Ringdufferin, Co Down. It was already venerable and battered when it was retired in 1834, having reputedly won every race it entered.

The museum's chief executive, Jonathan Bryant, sports the essential regatta week accessories: trousers with turn-ups — invented at Henley, according to legend — and Leander enamel badge. He is a confirmed landlubber, having got no closer to the water than cycling along the river bank from one meeting to another, with a nervous glance at the regatta week traffic jams of ducks, pleasure launches, stewards, umpires and police boats, and huge men bulging out of tiny rowing boats. He must try rowing, he supposes, some day, probably, but not now of course, he's far too busy.

The Rowing and River Museum is opening specially to visitors on Saturday and Sunday, July 5 and 6.

British beef mafia claim

Stephen Bates in Brussels

THE European Commission yesterday accused Britain of "manifest inefficiency" in failing to prevent the export of hundreds of tonnes of beef, as British officials admitted they made only occasional checks at ports.

Amid mounting concern in Europe that UK beef has been reaching the Continent despite the 14-month-long, EU-imposed worldwide ban on exports following the BSE epidemic, the commission disclosed that at least 1,600 tonnes has been exported to Holland in recent weeks.

There were accusations from MEPs that a criminal conspiracy, involving a Belgian beef mafia — already suspected of trading in illegal hormones to boost cattle growth — may be involved in disguising the source of the beef and claiming EU export credits for its onward sale.

German MEP Dagmar Roth-Behrendt, who chairs the parliament's committee on mad cow disease, said: "The latest fraud by a beef mafia is feeding off the subsidies. It is an incentive to criminals who want to pocket millions. The mafia may well be internationally organised."

The commission — which revealed suspicions of illegal exports on Wednesday — said that although 700 tonnes of beef had been seized by Dutch authorities, another 900 tonnes appeared to have been exported to Russia and Egypt with false documents suggesting it originated in Belgium.

Klaus Van der Pas, the commission's chief spokesman, said: "The export controls were manifestly inefficient. Whether it is the tip of the iceberg ... or all of the iceberg, I just don't know."

News of the evasion of the export ban sparked widespread concern in Europe, with Spain immediately banned beef exports from Belgium. British MEPs and commission officials are alarmed that the exports may jeopardise any early lifting of the ban, although the commission said there was no evidence it had been sold in the EU.

But officials said legal action might be taken against the British authorities for failing to prevent the exports.

British officials in Brussels admitted thorough inspections of lorries leaving the UK are only made for random two-day periods each month, and otherwise only "suspicious" ones were checked.

During the two days of unannounced checks at each port by veterinary officials, all lorries are stopped but drivers may only be asked to show documentation.

A spokeswoman said: "We don't unwrap every lamb pie. It is simply not possible to check every lorry leaving every port in Britain."

BMA stays firm on creed of life preservation

Doctors say no to lawful euthanasia

Chris Mihill
Medical Correspondent

CALLS to legalise euthanasia were thrown out yesterday by doctors who said it was the job of the medical profession to help patients rather than kill them.

There should be no changes in the law to allow euthanasia or physician-assisted suicide, said the British Medical Association at its annual meeting in Edinburgh.

Fay Wilson, a GP from Birmingham, said she had received requests from patients to end their lives but later their thanks for not doing so. "However much I wanted to help their suffering, I wasn't able to kill them. We are doctors, our function is to heal and comfort ... we must not change the rules that put us on the slippery slope of an expectation that our function is to kill those we see as not worthwhile."

Michael Stuart, a GP from Southend who has been involved in hospice care for 30 years, said he had received tentative requests from patients asking him to "finish them off", but when he explained what would be involved, using a lethal syringe, none had followed through with their request.

"With symptom control the patients led good quality lives," he said, "it would have been a grave mistake to have acceded to their requests."

Dr Stuart said he was suspicious of the motives of some families who requested the death of their relatives, as some seemed more interested in inheriting the "family loot" than ensuring their kin's welfare. Jane Orr, a GP from Surrey, said: "Bad deaths do still occur but this is due to bad medicine." At the meeting, David Brownridge, from Worcester, said a survey of 300 doctors in his area found a third in favour of legalising euthanasia.

Sandy Macara, BMA chairman, said that doctors should do nothing to betray the trust of patients and that the profession, including those outside hospice work, should campaign for better care of the dying. "We should reaffirm our obligation to preserve life to the utmost and where life cannot be preserved to relieve pain and distress and not to allow a suggestion that now, or at any time in the future, are we envisaging a change in the law."

The doctors criticised the current plot in the TV soap opera Brookside where a terminally ill woman was killed by relatives because the family doctor would not provide sufficient morphine for pain relief. Dr Stuart Horner, chairman of the BMA's ethics committee, said the story was based on a false premise.

"You give the amount of morphine needed to control the pain. This was a hypothetical scene which doesn't exist in practice."

Poetic oath

THE BMA was urged yesterday to hire a poet to re-write the Hippocratic oath amidst accusations its new draft version is too long and dull. The association has been trying to revise the 2,500-year-old oath, setting out the ethical duties of doctors, at the request of the World Medical Association, since 1995.

The draft is three times as long as the original and has been attacked as needlessly politically correct. Mark Porter, an anaesthetist, said the oath, which would be taken by millions of doctors, needed to be turned into poetry, a declaration of principles.

Head teacher broke school rules

John Carvel
Education Editor

A HEAD teacher resigned yesterday after admitting breaking the rules in the national tests for 11-year-olds.

George Senk, head of Bradfield county primary school near Harwich, Essex, said he opened the sealed question papers about a week before pupils took the test in May and talked to them about two of the chosen science topics.

Mr Senk, aged 52, was suspended after a complaint by a parent seven weeks ago and had been due to face a disciplinary inquiry into allegations of professional misconduct until the matter was settled by his resignation.

The case was being investigated by officials of the local education authority before last week's report in the Guardian about teachers confessing to widespread cheating in the tests for 11-year-old at other schools.

The Government responded to that report by ordering an investigation and the School Curriculum and Assessment Authority said it was reconsidering the timetable for sending out question papers two weeks before the children took the test.

In a letter to parents, Mr Senk said he did not want any of the children in his small 100 pupil primary to be disadvantaged as they moved to secondary school. The science teacher left last year and he was teaching the subject himself. "A week before the [tests] were due to be taken, I opened the science papers and picked out one or two topics ... Two days later I talked to the older children on the topic areas in a short quiz.

"I then realised I had made a terrible mistake which was caused by the extreme pressures upon me by my growing commitment and responsibilities within the school."

Mr Senk said he owned up to the curriculum authority, the chairman of governors and the county council. The children were allowed to carry on with the test and their results were in line with those in similar schools.

He added later that heads of small schools were under "horrendous pressures" combining the roles of teacher and administrator. "I have a staff of three and a part-time secretary and I still have to work from 7.30am until late at night."

Deportation orders quashed

Alan Travis
Home Affairs Editor

DEPORTATION orders against two families who have mounted long campaigns to stay in Britain, backed by church and trade union leaders, were quashed yesterday in landmark decisions by the immigration minister, Mike O'Brien.

The orders were revoked as Jack Straw, the Home Secretary, announced in the Commons that he is to press ahead with the contract signed by Michael Howard with Group 4 to build and run the first "child jail" at Cookham Wood in Kent for 12 to 14-year-olds. The "secure training centre" for 40 persistent young offenders is one of five which were planned by the previous government.

Stephen Shaw, of the Prison Reform Trust, said the decision was regrettable as was "a continuation of Michael Howard's policy by any other name". The other four planned private "secure training centres" for which contracts have not yet been signed are also to go ahead subject to a wider review of secure accommodation for young offenders nationally.

The first deportation case involved the Ogunwobi family, from Nigeria, who have lived in Hackney Downs Baptist Church, east London, since March 1994 when a deportation order was served on the couple and their three children as immigration overstayers.

Sunday Ogunwobi, aged 43, a Pentecostal Church elder and school governor, came to Britain in 1981 as a Salford university student. Permission to stay was extended nine years after his marriage to Olubunmi and all their children were born here. Two have severe medical conditions which the parents say cannot be treated in Nigeria.

A Home Office spokeswoman said yesterday that the family had been persuaded to come out of hiding earlier this year with the help of the local MP, Diane Abbott: "It has been decided that the effect of the deporatation order on the children would be detrimental so the orders have been revoked."

The threat of deportation was also lifted in the case involving a Birmingham care worker, Prakash Chavrimootoo, and her son, Prem. She faced being sent back to Mauritius after she left her allegedly violent husband because she had been married for less than a year.

Her case was taken up by the Labour MP Clare Short, and Unison, the public sector union.

Mir in trouble again

New alarm over power crisis

James Meek in Moscow
and Tim Radford

FRESH problems hit the Mir space station yesterday. As two cosmonauts and their British-born colleague from Nasa, Michael Foale, prepared for the arrival of a new supply vessel with equipment to repair last week's crash, they ran into another power crisis.

A set of automatically-adjusted gyroscopes which keep Mir aligned to the Sun shut down for no obvious reason. When the solar panels point the wrong way, Mir gets no electricity. So the crew were forced to use precious rocket fuel to keep Mir pointing the right way.

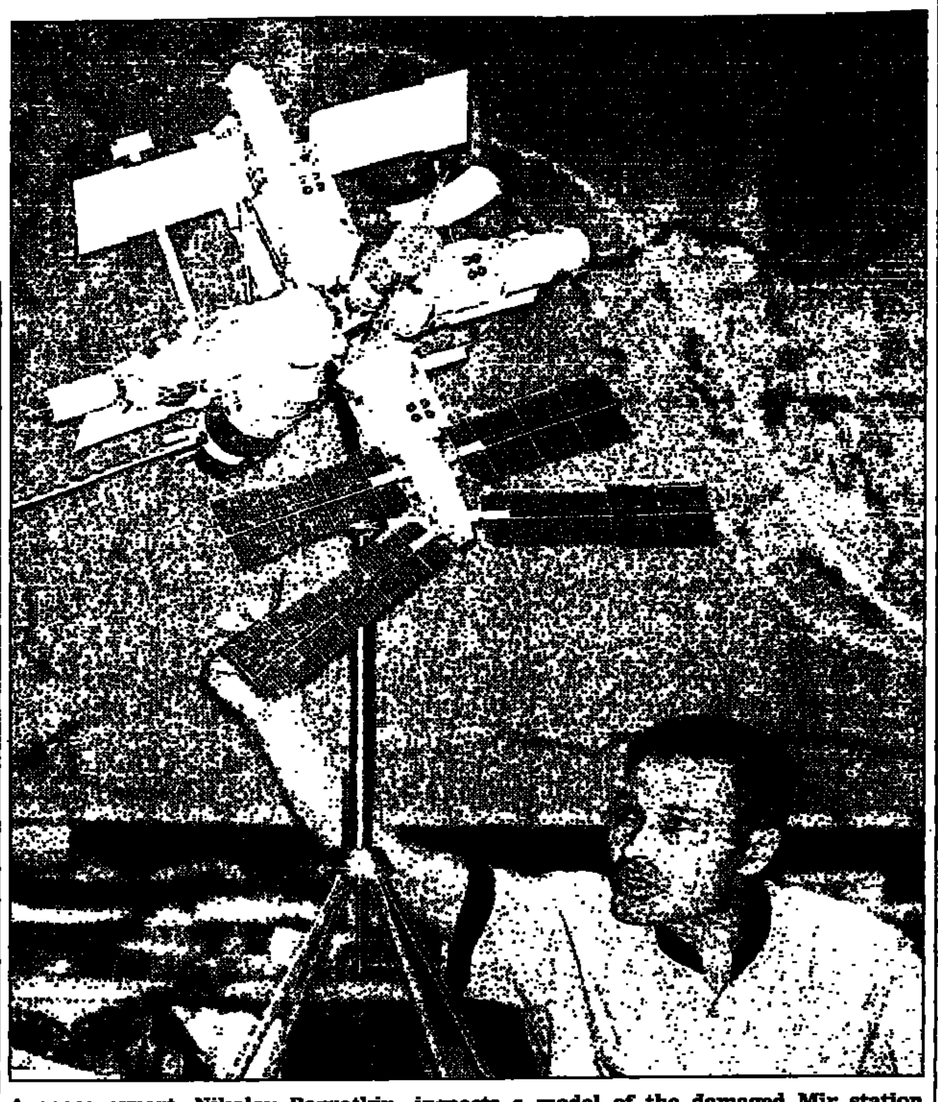
Russian officials tried to play down the problem. "We are not alarmed. We are not going to quit the station this side of the millennium," said Sergei Gromov, of the space firm Energiya. "This is a routine failure by an electronic device. Specialists will carry out conventional checks, they'll find the cause and will liquidate the problem. There are enough spare parts on board and anything necessary will be replaced."

But back on Earth, alarms were being raised. The damage to Mir — a hole in a module, a shattered power array — was caused by a collision with a cargo vessel during what was apparently a rehearsal for a parking manoeuvre. The newspaper Segodnya claimed yesterday that Mir's commander, Vassily Tsibliyev, may have made an "unforgivable mistake": the supply ship, loaded with rubbish, was almost a ton heavier than usual.

In space, Newton's laws of motion work with great simplicity and something once started can only be stopped by an equal opposite force. Misjudge the inertial mass and you have a collision.

But Mir is at the heart of American-Russian co-operation in space. Both want to keep the 11-year-old craft in orbit, even though it has orbited the planet for twice its planned life. Last night space officials in the United States conceded that the craft may have been overloaded and the Russian Space Agency said it was still studying the cause.

A supply ship will be launched from Kazakhstan tomorrow and will dock with Mir on Monday. The two cosmonauts will then don spacesuits, crawl into the holed Spektr module, connect to the solar panels, feed the cables back into Mir and seal the module again.



A space expert, Nikolay Porvatkin, inspects a model of the damaged Mir station yesterday at the mission control centre outside Moscow PHOTOGRAPH: VIKTOR KOROTAYEV

Lightweight with big punch leads the EU

John Palmer
in Luxembourg

JEANCLAUDE Juncker, at 42 already a veteran prime minister, finance minister and employment minister in his native Luxembourg, will be more than usually busy in the next six months. This week the grand duchy took over from the Netherlands the presidency of a deeply troubled European Union.

The Christian Democrat career politician may not yet be a household name outside Luxembourg but, by the time he hands over responsibility to Tony Blair at the end of the year, he is likely to be much better known. For Mr Juncker now finds himself at the epicentre of the economic and political storms building up within the EU.

With one Luxembourger, Jacques Santer, heading the European Commission and another now running the European Union presidency, the EU's micro-state cannot be accused (in a metaphor once used by Douglas Hurd about Britain) of "punching below its weight in Europe".

Luxembourg has always wielded influence far out of proportion to its tiny size and population. This is in part because it was one of the Union's six founding member states; in part because it is home to many of the key EU institutions, such as the European Court of Justice; and in large measure because its leaders have invariably been convinced integrationists. Mr Juncker is no exception.

Juncker, who took over the EU presidency this week

The Luxembourg prime minister concedes that the Amsterdam summit ducked the isues of reform needed to prepare the EU for enlargement.

A close confidant of the German chancellor, Helmut Kohl, the Luxembourg prime minister now puts top priority on as many EU countries as possible meeting the 1999 deadline for a single currency. Mr Juncker is one of the few EU heads of government who has been, let alone still is, a finance minister. He actually understands the more esoteric reaches of economic and monetary union.

The new EU president talks regularly to French and German leaders about how to prevent the final stages of monetary union being derailed by domestic economic and political pressures. "Chancellor Kohl cannot agree to monetary union at any price," he warns. "But Kohl will win the political battle for the euro in Germany. Monetary union will happen in 1999."

The Commission wants closer EU co-ordination of tax policies and an EU-wide savings tax to counter the use of tax avoidance accounts in Luxembourg. The grand duchy has for years lived well off its large but secretive banking and financial services sector.

If its banks are to be subject to greater scrutiny, Mr Juncker is determined the same will apply to other tax havens such as the Channel Islands and Liechtenstein. Still, no greater love for Europe hath any Luxembourger than that he shall consent to reform of taxes and banking.

Public has its say on British defence and diplomacy

Ian Black and
David Fairhall

OFFERING a rare chance of a public say in government policy-making, Britain's top defence planners and diplomats yesterday launched a long-range review of the country's strategic posture which the military fear may end in more cuts.

Robin Cook, the Foreign Secretary, and George Robertson, the Defence Secretary, kept a key Labour manifesto pledge by inviting academics, lobbyists and journalists to the opening session of an ambitious study designed to set priorities for the next 20 years.

In the lead-up to next week's decision to enlarge Nato to embrace former communist countries such as Poland and Hungary, both ministers emphasised Britain's commitment to the US-led alliance and the maintenance of an independent nuclear deterrent.

Both stressed that, although Britain's interests would remain worldwide, the crucial question for the strategic defence review was whether the country could afford the armed forces and the diplomatic efforts to match them.

Mr Cook insisted that transnational problems like terrorism, the environment and nuclear proliferation did not necessarily require the despatch of an aircraft carrier or expeditionary forces to far-flung trouble spots.

Mr Cook passionately defended Britain's contribution to the international intervention in Bosnia, pointing out that it was only when peacekeeping turned into more aggressive peace enforcement that results were achieved.

Britain's current defence commitments include its role in Nato, in Bosnia, in guaranteeing regional security in Asia, in containing Iraq in the Gulf, in keeping 20,000 troops in Northern Ireland and in defending the Falklands.

These are linked closely to a disproportionately large defence manufacturing sector that places Britain third in the table of world arms exporters.

Mr Robertson, anxious not to expose flanks to Conservative attacks, insisted that the aim was to achieve cross-party agreement. "We want this to be Britain's defence review and not the Labour Party's."

But the half-day seminar produced many more questions than answers, largely because of the absence of what one participant called "the ghost at the feast" — the Treasury.

The Treasury's appetite for reductions in the defence ministry's £22 billion budget makes the armed forces fearful of further cuts when debate gives way to hard choices.

The Royal Navy's long range "blue water" capability and the army's 26,000-strong heavily armoured presence in Germany are of particular concern for the military.

Much of the discussion focussed on whether Britain can or should continue to "punch above its weight" and whether its defence forces need to maintain a global reach.

None of the government representatives questioned the fundamental assumption that Britain should still think and act globally. "Effective diplomacy cannot be far removed from the capacity to project power," argued the Foreign Office political director, Jeremy Greenstock.

Jon Day, director of defence policy at the MoD, said that after last month's Amsterdam summit — where Franco-German proposals on defence were thrown out by Britain and neutral countries — Britain was unlikely to face pressure to move towards greater European defence integration.

But many experts feel that the basic issue facing Britain's strategic planners is precisely how to reconcile the often opposing military and political pulls of Europe and America.

Austrian membership key to solving Nato dilemma

John Palmer in Brussels

A COMPROMISE deal to end diplomatic feuding over future Nato expansion could involve Austria abandoning its neutrality and joining, alongside Romania and Slovenia, in 2001.

The plan is designed to defuse a trans-Atlantic split over the pace of enlargement to central and eastern Europe which is already overshadowing next week's Nato summit in Madrid.

Under pressure from the US Congress and from President Yeltsin, the Clinton administration is insisting that the first phase of expansion be limited to accepting Poland, Hungary and the Czech Republic in 1999. Applications from another half dozen countries in eastern Europe and the Balkans would be put on ice for some years.

Any decision by the Madrid summit to exclude them from the first stage will bitterly disappoint the Slovenian and Romanian governments. But they may be promised another chance in two years, immediately after the first three countries actually join.

Senior Nato sources in Brussels are increasingly confident that Austria is poised to abandon half a century of neutrality and make its own membership bid later this year. "It might make sense to treat the Austrian application at the same time as Slovenia and Romania," a source said yesterday. "That would also provide a further interim stage of Nato expansion before the more difficult question of admitting the Baltic states has to be considered."

THINKING ABOUT BUYING A PC?
HOW COMET WILL HELP YOU GET IT RIGHT
Whether you're thinking of buying a Multimedia PC for the first time or upgrading your existing PC, at Comet you'll find we've got everything you need to help you get it right.
FREE INDEPENDENT ADVICE
We asked 'What PC? & Software' magazine to help us produce the definitive guide for the first-time buyer. It explains all the benefits of Multimedia in a language you'll understand and best of all it's free.
TOUCH-SCREEN INFORMATION
Our unique interactive touch-screen information points are a helpful and fun way of finding out exactly what suits your needs. We've also set up the latest products available so if you feel more adventurous you can always give them a test-drive.
SPECIALLY TRAINED STAFF
Our friendly and specially trained staff are always happy to answer any questions you may have. They'll help you find what suits you, give you free demonstrations of any system and explain the benefits without baffling you with jargon.
AFTER SALES SERVICE
All our Multimedia PCs come with a year's free 'Home Service Guarantee', so if your PC develops a problem we'll come and sort it out for you completely free of charge.
PEACE OF MIND
With a single premium payment our 'Five Star Super Cover Extended Warranty' gives you complete cover for any breakdown. If after five years you've made no claim you get all your warranty money back in full. Ask about it in store.
FREE MULTIMEDIA HELPLINE
When you purchase a Multimedia PC you'll get all the help you'll need for the cost of a local call. It's run by the computer experts at Softbank Services Group who can help you with any questions regarding your PC or software. The service is free for 30 days or for the duration of an extended warranty.
THE COMET PRICE YOU CAN'T BUY BETTER
THE COMET PRICE PROMISE
If you buy any product from us, then within 14 days find the same offer on sale locally at a lower price, we'll willingly refund the difference, PLUS 10% OF THAT DIFFERENCE. Ask in store for full details.
FREE PARKING
With ample free parking at most of our stores, you can avoid all the hassle of high street shopping. Our staff will also be happy to help you carry your goods to the car.
THE COMET PRICE. The stores in South Wales do not show savings in store. All items subject to availability. Voucher offers end close of business 07.07.97. Vouchers cannot be used in conjunction with any other offer or voucher. Software value based on price when sold separately. Software games come pre-loaded. Prices and information correct at time of going to press. Intel Inside and Pentium are registered trademarks.

THINKING ABOUT BUYING A PC?
EXTRA VOUCHER SAVINGS ON MMX™ MULTIMEDIA PCs
These Multimedia PCs feature the Pentium processor with new MMX™ technology. MMX provides the very latest in computer power and improves the performance of every aspect of a Multimedia PC. Games become faster, video playback smoother and audio applications clearer than ever before.
AST MULTIMEDIA PC
INCLUDES 19 SOFTWARE TITLES WORTH OVER £720★
SALE VOUCHER £1339.99 INC VAT SAVE £210
302639 Valid until 07.07.97◆
AST MULTIMEDIA PC
AVAILABLE AT LARGER STORES
INCLUDES 20 SOFTWARE TITLES WORTH OVER £720★
SALE VOUCHER £1639.99 INC VAT SAVE £210
302643 Valid until 07.07.97◆
COMET
CALL FREE ON 0500 425 425 FOR LOCAL STORE DETAILS
MOST STORES OPEN SUNDAY AND UNTIL 8PM WEEKDAYS

هكذا من الاصل

هكذا من الاصل

Craftsmen revel in the availability of their most prized material

Lifting of ivory ban gets seal of approval in Japan

Jonathan Watts in Tokyo

THE recent decision by the Convention on International Trade in Endangered Species (Cites) to allow a partial resumption of the ivory trade has come as welcome news to Japan's *hanko* (personal seal) industry and raised concerns among conservationists that weak domestic safeguards encourage poachers.

After a stormy debate at the Cites meeting in Harare, member nations voted to ease an eight-year-old ban on ivory trading by allowing three countries with growing elephant herds (Botswana, Namibia and Zimbabwe) to sell a total of about 60 tons of ivory to Japan, starting in 1999.

The sale, which would initially be of government stockpiles, is conditional on strict safeguards being put in place before then to prevent poached ivory entering the market.

Japan was chosen as the sole market for two main reasons. It is the largest consumer of ivory in world, having imported the equivalent of 120,000 pairs of tusks in the 10 years before the ban was introduced, and it is reputed to have the most effective system for regulating its ivory industry.

The bulk of the ivory in Japan is carved into *hanko* — the finger-sized personal seals Japanese use in place of a signature. Most adults have a set of three *hanko*, each with a different design and a different use. The most important of these has to be registered at the local government office; without this seal, it is almost impossible to own a car, arrange a loan or buy property.

Hanko are also used in China and South Korea, but demand for them to be made of ivory is strongest in Japan. Toru Hashimoto, a seal engraver for more than 30 years, said wood, bone and man-made materials were no substitute: "There is something special about ivory. The quality of the print is clearer and it is far easier to work with."

Ivory also commands the highest prices. While manufactured plastic seals start at about £2.20, those carved in ivory by craftsmen can fetch as much as £1,500.

According to the National Seal Engravers' Co-operative Association, the 1989 ivory ban drove prices up by 500 per cent, putting top quality *hanko* out of the reach of many consumers and hitting the industry hard.

An association spokesman said he hoped the lifting of the ban would revitalise business: "It will allow us to replenish stocks, which would otherwise be close to running out by 1999, and reduce prices. More importantly, legalising international trade should improve the image of ivory — people will be able to buy ivory goods without feeling that they are doing something wrong."

Japanese conservationists, however, have raised concerns that the system for regulating *hanko* sales and other ivory products is inadequate. The Japanese branch of the World Wide Fund for Nature said: "We feel strong apprehension that the current status of domestic trade control of ivory may induce further poaching and illegal trade [if the ban is lifted]."

By law, all ivory sales in Japan must be registered and there are spot checks of establishments that make or sell *hanko* and other ivory goods. However, although this law was enacted two years ago, the Ministry of International Trade and Industry said only one case had gone to trial.

Domestic regulations also stipulate that all ivory products should carry a Cites tag of authorisation. In practice, though, unscrupulous traders who sell untagged items are rarely penalised. Mr Hashimoto, who strictly follows the rules, said he had not heard of anyone being punished.

The seal engravers' association accepts that the safeguards are inadequate. "We must use the two years until the lifting of the ban to improve controls, which are not good enough at present," its chairman said. "It would be terrible if the resumption of the ivory trade to Japan resulted in a return to the previous situation. Elephant herds must be protected."

But the Ministry of International Trade and Industry said it had no plans to tighten local regulations.

A WWF spokesman said that, even if improvements were made, no system would be watertight: "Ultimately, the problem is that there is no way of discerning whether ivory products are imported legally or illegally. Even if penalties are enforced, there is a huge risk that the resumption of trade will make it easier for smugglers to find a market."

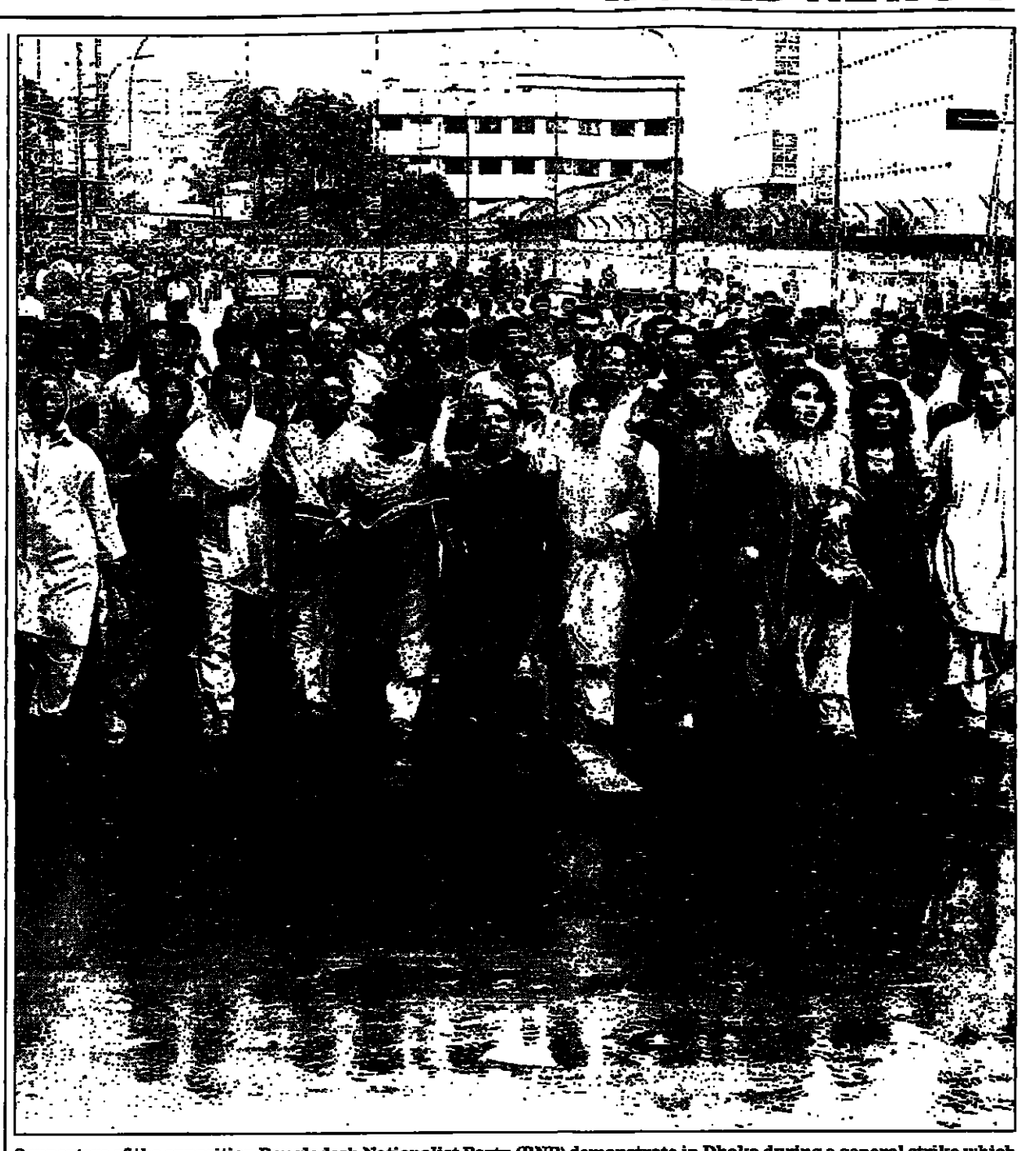
Armada fights Tokyo Bay oil spill

HUNDREDS of ships sprayed Tokyo Bay with dissolving agents, and teams in small boats ladled sludge from the sea yesterday to keep the bulk of the oil spilled by a supertanker from coming ashore.

Four spots along heavily populated shorelines in Yokohama and Kawasaki were hit by oil yesterday. But by late afternoon the slick was getting smaller, according to the Maritime Safety Agency, Japan's coast guard.

The Panamanian-registered, Japanese-owned Diamond Grace spilled about 1,340 tons of crude oil on Wednesday after hitting a reef in shallow waters near Yokohama, 22 miles south of Tokyo.

The cause of the accident was being investigated, but the Japanese media quoted the ship's captain as saying winds and tides swept the tanker off course after it slowed down to sail between two ships. First estimates of the spill were 10 times the actual amount, and prompted fears of a major environmental catastrophe. — AP



Supporters of the opposition Bangladesh Nationalist Party (BNP) demonstrate in Dhaka during a general strike which virtually paralysed the country in protest at higher taxes in the government's budget PHOTOGRAPH: MUFTY MUNIR

Dixons DEAL 97

BRITAIN'S BIGGEST HIGH STREET MOBILE PHONE RETAILER

PLUS FREE CALLS FOR LIFE† WITH ALL THESE PHONES

Bigger and Better than Ever!

PRICE – WE CAN'T BE BEATEN
One visit, and you'll find out why.

EVERYTHING YOU NEED
All the leading mobile brands plus great accessories.

LATEST TECHNOLOGY
If it's new, we've got it. Come in and see it now.

ADVICE YOU CAN TRUST
Straightforward help with phones and tariff options.

QUALITY GUARANTEED
All products are backed by Mastercare, Britain's biggest service and repair network.

Cellnet digital
• FREE CALLS FOR LIFE – †From £5 to £20 of free calls every month depending on tariff.
• Billing by the second.
• Calls from only 12p per minute.
• Use in over 50 countries worldwide.
• Digital call security.

ALL THIS FOR ONLY £199.99**

DIGITAL PHONE
FREE
CASE, SPARE BATTERY AND IN-CAR CHARGER WORTH OVER £70
CONNECTION WORTH £35
12 MONTHS PRE-PAID LINE RENTAL WORTH £210 PER YEAR

CELLNET CONNECT
MOTOROLA
D440 DIGITAL MOBILE PHONE
• Up to 220 minutes talktime/ 65 hours standby time.
• 100 name and number memory.
• Caller identification – see who is calling before you answer.
• Fax, data and text messaging compatible.
SAVE OVER £115††

MONTHLY LINE RENTAL FROM ONLY £17.50

Panasonic G350
DIGITAL MOBILE PHONE
• Up to 80 minutes talktime/ 18 hours standby time.
• 99 name and number memory.
• Backlit keypad and display.
Dixons Deal 97 £9.99*
FREE CASE & POWERCORD

MOTOROLA D150
DIGITAL MOBILE PHONE
• Up to 190 minutes talktime/ 60 hours standby time.
• 190 name and number memory.
• Can operate on standard AA batteries.
Dixons Deal 97 £9.99*
FREE CASE, SPARE BATTERY AND IN-CAR CHARGER WORTH OVER £70

MOTOROLA 8700
DIGITAL MOBILE PHONE
• Up to 235 minutes talktime/ 75 hours standby time.
• 180 name and number memory.
• Fax, data and text messaging compatible.
• Vibracall alert.
Dixons Deal 97 £29.99*
FREE CASE, SPARE BATTERY AND IN-CAR CHARGER WORTH OVER £70

*PLUS £35 CONNECTION when you connect to Cellnet Digital. Subject to status. Ask in-store for our range of tariffs, prices and terms. **Connection is to Cellnet Occasional Caller Plus Tariff.
††When compared to Cellnet Occasional Caller Plus subscription for 12 months = £210, Connection £35, Accessories £70.

ORDER DIRECT ON 0500 50 40 30
Delivery charges from £3.25

Dixons
There's a Great Deal going on
PART OF DSG RETAIL LIMITED

Peasants are the losers in India's caste wars

Suzanne Goldenberg reports from Ekwari village in Bihar on the struggle against the tyranny of powerful landlords

IF THE local legend can be believed, then it started with a cigarette. An upper caste landlord, incensed that the owner of the tobacco kiosk was serving another while he waited and fumed, struck the peasant in the queue ahead of him. The peasant, who was a secret supporter of an armed communist group, hit back and killed him.

That public affront to an order that for centuries has decreed the supremacy of the landed rich over their Dalit, formerly untouchables, and low caste neighbours in the countryside of Bihar proved more than the slain landlord's compatriots could bear.

So they raised a private army, setting in motion a caste war in which massacres of rival communities have become regular occurrences.

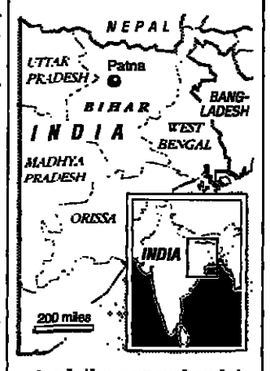
More than 300 people have been killed in Bhojpur district in the two years since the landlords reasserted themselves, most of them Dalit and low caste villagers.

"It's a fact that both sides kill people. But one kills after preaching and one just kills, and in greater numbers," said the father of one communist activist in Ekwari village.

Many of the lonely pockmarked roads around Ekwari are no-go areas even in daylight. The supporters of the landlords' army, the Ranvir Sena, patrol on motorcycle, moustaches bristling and rifles slung over their shoulders. The Dalit villagers turn their heads in fear.

"They were picking on us and killing us for caste reasons, driving us off our fields and attacking us economically," said Madan Singh, the leader of the Ranvir Sena in Ekwari. "We had to fight back." He smirked: "We have every kind of weapon. I could get a machine gun if I wanted to."

Although far outnumbered by the Dalit and lower-caste peasants who are tenant farmers and share croppers on their land, the Ranvir Sena has gained the upper hand in the past two years.



The new power balance has eclipsed Ekwari's status as the torchbearer of India's most celebrated peasant rising. In May 1967, Maoist activists led a violent rebellion in the district of Naxalbari in West Bengal. The revolt was ruthlessly put down by the authorities, but the birthplace of that uprising has entered India's political lexicon. Naxalite now refers collectively to any armed communist group.

Although the Naxalites were exterminated in West Bengal, they thrived in Bihar after their arrival in Ekwari where their cadre say only armed struggle offers the possibility of escape from poverty.

Aside from three splinter groups of the Communist Party of India (Marxist Leninist) in central Bihar, there is the intensely secretive Maoist Communist Centre, which has made its name by slitting the throats of bootleggers and land-grabbers.

The last seven years of misrule under the chief minister Laloo Prasad Yadav led to peasant risings, but also to their corruption. The Naxalite leaders admit that their struggle has become tainted.

"It's true we have had problems, but I forbid my people to steal crops or commit any crimes or behave like hooligans," said Raj Balam Yadav, a communist leader in Ekwari.

But the struggles are also the products of injustice. Bihar is one of India's poorest states and the landlords are all-powerful.

"Our whole struggle revolves around the efforts of the landlords to maintain their prestige and dignity," said Surender Ram, a leader of the Communist Party of India (Marxist Leninist) in Chakarda village. "If we sit upright on our charpai [string mattress] or go out in new clothes, then they beat us."

In the caste wars, Mr Ram is a doomed man. His fellow villagers scrutinise all visitors before leading them to his hide-out deep within the cluster of mud houses of his entirely Dalit village. On the other side of the road, the peasants had no such protection. They were burnt out in October 1994 by upper caste villagers hungry for their meagre plots of land. Since then they have lived in shelters made of abandoned building material and plastic sheeting.

BOUNDARY COMMISSION FOR ENGLAND
NOTICE OF LOCAL INQUIRY

NOTICE is given today, 4 July 1997, that a local inquiry is to be held by the Boundary Commission for England into their provisional recommendations, made under the European Parliamentary Elections Act 1978 (as amended), for the European Parliamentary constituencies listed below. The inquiry will be conducted by the Assistant Commissioner, Mr Colin Reese QC and has been arranged to replace that originally scheduled to take place in Taunton on 24 June 1997 and Southampton on 2 July 1997. The Commission wish to apologise for any inconvenience caused by the cancellation of the original inquiry.

The inquiry will open on **MONDAY 21 JULY 1997 at 10.30am in the COUNCIL CHAMBER, SHIRE HALL, TAUNTON** to discuss the provisional recommendations for the Bristol (No.46), Wiltshire North and Bath (No.47), Somerset and North Devon (No.53), Cornwall and West Plymouth (No.59), Devon and East Plymouth (No.60) and Dorset and East Devon (No.61) EPCs. Please note that the representations relating to the County of Cornwall will be the first issue to be considered on the first day of this part of the inquiry.

The inquiry will continue on **MONDAY 28 JULY 1997 at 10.30am in the COUNCIL CHAMBER, CIVIC CENTRE, SOUTHAMPTON** to discuss the provisional recommendations for the Wiltshire North and Bath (No.47), Hampshire North and Oxford (No.48), Itchen, Test and Avon (No.54), Wight and Hampshire South (No.55), South Downs West (No.56) and Dorset and East Devon (No.61) EPCs.

Interested parties who wish to make representations concerning the **Wiltshire North and Bath (No.47) and Dorset and East Devon (No.61)** EPCs are advised to attend both venues.

The **Guardian**
Friday July 4 1997
Edition Number 46,907
119 Farringdon Road, London EC1R 3ER
Fax No. 0171-837 4530
E-mail: letters@guardian.co.uk
Website: http://www.guardian.co.uk

A reborn welfare state

First, see that benefits are linked to earnings

HAS IT restructured the welfare state? That was the declared aim of Gordon Brown's budget. The Chancellor himself — in an Observer interview in May — declared his intention of producing "the most radical welfare budget since the second war". It will, of course, take much more than one budget to achieve the fundamental restructuring Labour leaders have signalled they want to achieve. Yet, in spite of Labour's imprudent adoption of tight Tory spending plans for their first two years in office, Labour's first budget has begun to tackle the biggest social problem facing Britain: unemployment. For two decades this issue has been ignored. Now, at last, the unemployed are being offered hope and attention.

Labour was right to tackle dependency. And it was right to widen its welfare-to-work programme to include single parents and disabled people as well as the young and longterm unemployed. All these groups need more help, more support and more training. It was good to see all this on offer on Wednesday. The increase in welfare dependency of Britain's 1.7 million lone parents — from 44 per cent to almost 70 per cent — is one of the worst stains on the Tory record. All progressive reformers should be trying to reverse this debilitating phenomenon. Remember the poverty which such dependency produces: more than 50 per cent of one parent families were living on less than £100 a week in 1994 compared to only four per cent of married couples. Better childcare support has produced much lower dependency overseas: Belgium, Denmark, France, Finland and Sweden all have under 40 per cent, the Netherlands under 30 per cent, and Germany under 20 per cent.

The main welfare-to-work schemes will begin with pilot projects next year before becoming nationwide in 1988. The key to success of the lone parent scheme will be adequate numbers of childcare places. Surveys by the Daycare Trust show there is only one childcare place for every nine children under eight in Britain. Now ministers have recognised that the welfare-to-work programme for young people could help solve the welfare-to-work scheme for lone parents: over 50,000 young people will be trained as childcare assistants. Along with generous allowances to offset childcare costs against in-work benefits, this week's budget is a serious attack on Britain's dependency culture.

Yet welfare-to-work will not by itself achieve the goal Tony Blair set his government. He rightly insisted Labour would not deserve to be re-elected unless the incomes of the poor improved. There are huge numbers of people on social security — the elderly, the permanently disabled, the severely mentally ill — who are unable to work. Others want to work but are unable to find jobs. For these people social security is crucial in relieving their poverty. Yet until their benefits are linked to earnings, the already unacceptable gap between the better-off and the poor will only widen. Not only is Labour not making any change to the benefit index, but it is going ahead with Tory plans to abolish two special benefits for one parent families.

Labour is right to want to modernise the welfare state but it must be wary of recreating the problems which Beveridge helped solve 50 years ago: the balkanisation of social policy under which middle-income people had quite separate welfare programmes than the poor. Beveridge rightly believed that every citizen had a right to protection against the inequities of the market and unpredictable disease and ill-health. Labour's challenge is to restore Beveridge's collective approach in a deeply divided and unequal society.

When money Mars our view

Space probes tell us about ourselves in more ways than one

NASA scientists — courtesy of a robot spacecraft and some bouncy landing gear — are about to touch down on Mars. They are going because it is there. They are going by proxy because they have the ability to do so. Most of the 22 missions to Mars in the last 35 years have been failures. But they have gone on trying: the Red Planet is a neighbour, and must be visited. According to some enigmatic evidence from a couple of meteorites dislodged from Mars, the planet may once have been occupied. It may still be occupied. So the Pathfinder mission has turned into a search for life on Mars. But originally, Scientists wanted to go to Mars because it can tell them a lot about Earth. Space research has always really been about Earth. The first robot exploration of Mars — at the height of the Cold War — was hampered by ferocious dust storms. The late Carl Sagan contemplated these, and drew the lesson that became known as Nuclear Winter: a calculation that all out thermonuclear war could throw up enough dust to blot out the Sun, and shut down all complex life on earth. It was only a conjecture, but Eastern and Western politicians seized on it gratefully. So Mars, named after the god of war, played a little part in ending the Cold War. Venus was named after the goddess of love, but the robot spacecraft surveys of Venus told us that there was little to love. The clouds rained boiling acid and the surface was hot enough to melt lead. Venus became an object lesson in a runaway greenhouse effect, and once again, we learned something about Earth by looking outward. Mars and Venus are — just like Earth — rocky planets: why is Earth habitable, and Venus and Mars not? What kind of place was Earth before life started? How could we even ask that question, if we knew nothing of Mars or Venus? Of the 22 missions to Mars, 11 have been despatched by the USSR or Russia, and the rest by the US. The combined nations of Europe have yet to launch an interplanetary mission. Britain's investment in space has been trifling and its investment in European co-operation in space has often been grudging. British politicians are fond of saying things like "Yes, Jeremy, but we who have to live in the real world ..." But the real world is part of a solar system which is part of a galaxy which is part of a cluster of galaxies which are themselves a smudge on a map of a huge and wonderful universe. So there should be a grateful nod to politicians in Moscow and Washington who have been prepared for four decades to actually look out at the real world. Meanwhile, back in Britain, the new minister of science is contemplating his first real decision. It is likely he will close the Royal Greenwich Observatory, the 320-year-old institution that can honestly claim to have started off the business of looking out at the real world, and, for that matter, counting the seconds now known as Universal Time, which are ticking towards the millennium.

Finding an Oasis for gambling

Hurry, there are now only 175 betting days to Christmas

VISITORS to Britain may come here for our glorious weather and the tennis but they are often struck by our other national obsession. How is it, they sometimes ask, that you British have a shop in almost every street exclusively dedicated to gambling? Many of us find it hard to see ourselves as a nation of inveterate gamblers. But the evidence that we will bet on absolutely anything is impossible to deny. The outcome of domestic court cases is almost the only subject on which Britain's bookies are still prevented from relieving Britain's punters' of their money.

This week there have been two ripe examples of the national mania. On Wednesday the City was awash with speculation about the Budget. But the topics it was most interested in were not the rate of this or that tax. They were the length of Chancellor Brown's speech and the number of sips of drink that he would take delivering it. In fact, the speech was 59 minutes and 45 seconds, the third shortest ever, and the Chancellor took a mere four sips of mineral water. Both outcomes took the City forecasters who had wagered on them completely by surprise. It was, said the bookies Sporting Index, "an exceptionally good Budget for us".

Yesterday's betting news was even more bizarre. According to William Hill, the odds against Oasis having the Christmas Number One single have been slashed from 14-1 to 10-1 on the back of their new single, D'You Know What I Mean, which is due for release next week. That's right. It may be July 4, Christmas may still be almost half a year away, and the new Oasis single will be almost forgotten when it comes, but out there are people thinking about who's going to have the Christmas Number One. It makes you proud to be a Brit, does it not? Sir Cliff Richard, by the way, is a tasty 33-1.

Letters to the Editor

The Brown Budget: readers file their returns

Pensions: long-term thoughts

THE Chancellor's abolition of Advance Corporation Tax credit has been greeted by some extravagant claims. But we should remind ourselves of a few facts.

The share of profits allocated to dividends roughly doubled over the 1980s and continued to rise, even during the recession. The most recent figures show that dividend growth continues significantly to outstrip profit growth. This has had a particularly damaging impact on long-term investment in R&D. The ratio of dividends to R&D spending in the UK is 13.5 times higher than in Japan. The DTI's seventh annual R&D scoreboard published last week showed that the gap between our R&D sales ratio and that of other industrialised countries is widening.

Under-investment has long been the key weakness of the UK economy. We will be encouraging pension-fund trustees to examine their investment strategy in response to the new Budget changes. Pension funds, above all institutions, ought to be interested in long-term capital growth. For firms, the key priority now is to respond to the new framework and take advantage of favourable demand conditions to invest in innovation and new capacity. This can only be good for the long-term growth rate and for pensioners.
John Monks.
TUC General Secretary.
Congress House,
Great Russell Street,
London WC1B 3LS.

MY parents paid enormous taxes all their working lives because they believed in a welfare state that would look after them in their old age. After 18 years of Tory policies they now face losing their home and their savings as Alzheimer's disease and arthritis threaten their independence. How dare William Hague declaim the Brown Budget as "decisions today [to be] paid by millions of hard-working people many years down the line", overlooking *his* party's callous refusal to give a thought to what the elderly were suffering.
Carol Green.
41 Purcell Road,
Oxford OX3 0HB.

THE change to the way pension schemes are taxed will take £5 billion a year away from future pensions. Every seven hours, Mr Brown will be taking the amount which Robert Maxwell removed from the Mirror Group Pension Fund.
James Roberts.
233 Village Way,
Beckenham, Kent BR3 3NN.

Was that it, Chancellor?

THE strengthening of the pound in the wake of Gordon Brown's Budget is surely the greatest testament to the failure of Kenneth Clarke's chancellorship. Mr Brown, however, was right not to slow consumer demand by burdening people with higher taxes. What he should do is abandon the inflation target he inherited from the Tories.

The only reason interest rates need to rise is to hit an arbitrary inflation target dreamt up by the Tories when their economic policy was shredded after sterling's expulsion from the ERM.

The Tories imposed great suffering on this country in pursuit of money-supply and exchange-rate targets; now it is likely that inflation targets could inflict further pain and throw a cloud over Mr Brown's fine Budget.
Matthew Bond.
23 Witley Court,
Coram Street,
London WC1N 1HD.

IN discussing Budget implications for home-owners, few commentators appear to appreciate the *low* current "consumption" level of housing. There are approximately 14 million owner-occupied homes in England and Wales. According to the Land Registry, completed sales in the first quarter of 1997 totalled 185,557.

Annually, this represents a mere 5.3 per cent turnover against the previous average of 14 to 15 per cent. In other words the national average house move used to occur every seven years and is now every 18.9 years.

This suggests that there is much less economic confidence about than imagined. With the supply of housing at only a third of the traditional norm, it is easy to understand why house prices have risen recently. Increasing Stamp Duty will quite likely further depress turnover.

It would surely have been better to encourage more activity — 1 per cent of an expanding cake would be better than a higher percentage of a shrinking one.

High levels of general consumption in the economy have much more to do with building-society and insurance-company flotations than the housing market.
Alan Tayler.
South Colwell Farm,
Colwell Lane,
Haywards Heath RH17 7SR.

TO READ your coverage of Labour's first Budget, one would imagine that Labour have done something really impressive for schools. They haven't. All they have done is to change a settlement for schools from one which was a very long way behind what schools need to one which is just a long way behind.

Labour promised to cut class sizes for five-, six- and seven-year-olds. The extra money they have allocated (after inflation and teachers' pay) will be barely enough to hold class sizes at this autumn's levels.

That is a lot less than Britain voted for.
(Cllr) Neil Fawcett.
12 Overmead,
Abingdon OX14 5NB.

THE Chancellor said he wanted taxation to be fair. I do not consider it fair that a pensioner, living in a rural area without public transport, should have to pay yet more tax when using her car to buy food or visit the doctor, whilst a rich person can fly his private aircraft, causing enormous amounts of chemical and noise pollution, using untaxed aviation fuel.
J V Royle.
18 Torgormack,
By Beauly,
Inverness-shire.

EIGHTEEN years of cuts in education, social security, disability and other benefits for the poorest in the land. Not a single one is reversed in Labour's first Budget; there has been not a single word of protest from the press or broadcasters.

The poor may always be with us, but nobody else seems to care a damn.
Nik Wood.
6 Gore Road,
London E9 7HR.

Green shoots were trampled

TONY Blair's green preaching in New York last week, and Labour's claim that it would be "the greenest government ever", are shown as mere hot air when it comes to the real politics of the Budget. This bodes ill for the new Government's ability to deliver solid, thought-through action on their other visionary pledges. They've blown their credibility.
Judith Hanna.
16 Jansons Road,
London N15 4JU.

BY adding 4p to the price of petrol and diesel, Gordon Brown has imposed a regressive tax that will, in our car-dependent society, bring about no significant improvement to the problem of excessive car usage. A much more equitable and effective measure would have been the introduction of fuel rationing. Ration cards could be graded according to need — for example, less fuel for urban dwellers, more for those living in the country and no limit for the genuinely disabled. Additionally, the amount of fuel allowed could be reduced incrementally each year to allow people gradually to make the necessary changes. Only such radical measures hold any promise for revolutionising our car culture.
Kevin R Smith.
52c Durham Street,
Monifieth, Angus DD5 4PD.

And a few helpful suggestions to the Treasury on welfare and work

THE Budget measures for the "long-term unemployed" will not help me or others who have tried to increase their job prospects, unless the total time a person has been in receipt of an unemployment-related benefit is considered in setting eligibility criteria.

I have received means-tested benefit due to unemployment since 1990, but have on various occasions been turned down for schemes for the "long-term unemployed". This has been because I have done my best to increase my job prospects by going on Training For Work (TFW) programmes. Each time I commence in a TFW programme, I leave the unemployment register; on completion I start from scratch again as a newly unemployed person. I am eligible after six months once again to take up a training place, and if I take it up I leave the register; but I still have no job.

To be counted as "long-term unemployed" I have to be on the unemployment register for over two years. This means, for an employer to get the £75-per-week subsidy, I must do nothing but sit at home for two years.

David Blunkett, please ensure the details of the scheme do not exclude thousands of people like me who are working hard to gain employment.
Stephen P White.
25 Battersea Road, Easton,
Bristol BS5 6AJ.

I CONGRATULATE Gordon Brown on introducing the windfall tax, and am dismayed hear the reactions of the companies affected. Every single one so far interviewed has talked about the need to find the money by cutting investment or raising prices to the consumer. Not one has suggested that some reduction in dividend payments might be a more equitable way to raise the money.
Roger W Graham.
16 Charteris Close,
Penarth,
Vale of Glamorgan CF64 5RT.

THIS Budget seems to have been cleverly contrived to disguise just how much extra two pensioners in their seventies will have to pay. Agreed, we could cancel our private health insurance; though this has paid for almost all our medical expenses and has saved the NHS time and money for years.

Unfortunately we are also having to pay for the drug prescribed for my husband for treatment of senile dementia; this has greatly improved his quality of life. Yet our local health authority says it is too expensive to prescribe on the NHS. The reduction in VAT on fuel will not go far towards the £1,000-plus a year it will cost us.
(Dr) N G S Fisher.
27 Third Avenue,
Hove, E Sussex BN3 2PH.

AS a fund that makes grants to women who are studying to improve their employment prospects, we receive many letters from lone mothers finding it hard to survive and pay for college costs, fares and childcare. Could the Government also consider the provision of childcare support for the many lone mothers studying in preparation for entry to the job market?
Louise A Morris.
Administrator, Elizabeth Nuffield Educational Fund.
28 Bedford Square,
London WC1B 3EG.

THERE are 3.8 million people with a limiting long-term health problem or disability, of which 1 million are on benefit but would like to work. Training for disabled people should ensure that barriers many face are removed by providing adapted equipment, accessible buildings and facilities and information in appropriate formats. Training for work must lead to employment for them and not a return to the dole queue or loss of benefit.
Richard Brewster.
Chief executive, Scope.
12 Park Crescent,
London W1N 4EQ.

In brief ...

YOUR diarist should know better than to rely on the Mail on Sunday for his stories (Diary, July 3). I am happy to assure him that there have been no merger discussions between United News & Media and Granada. So he can stop worrying about Thatcher-Murdoch Avenue.
Richard Saunders.
United News & Media plc,
245 Blackfriars Road,
London SE1 9UY.

WHY are the short letters always the most interesting?
(Dr) John Davies.
Busby Lane,
Kirby in Cleveland,
N Yorkshire TS9 7AW.

We do not publish letters where only an e-mail address is supplied; please include a full postal address. We may edit letters: shorter ones are more likely to appear. We regret we cannot acknowledge letters.

We don't fancy pigeon racers

HOW long shall we have to wait for the pigeon fancy to start blaming peregrines again for losses to their lofts (Weather claims 80,000 pigeon lives, July 2)? The decision to continue with the Nantes-home race tells us a number of things about the sport.

Pigeon racing is an exploitation and distortion (by selective breeding) of a natural instinct. In a natural situation, the homing instinct benefits the species. In the unnatural world of pigeon racing, it leads to some birds foundering. This time the blind enthusiasm and greed of some led to the death of thousands of birds. One day, this sport may be as despised and extinct as bear baiting. I can hear some fanciers say: "Cruel? We love our birds." Just as fox hunters love the fox, I imagine.
E M Maddock.
Osler Road,
Oxford OX3.

A Country Diary

GLOUCESTERSHIRE: In the month of June, most years, I make an accidental but useful crop of hay. Sweating frantically, I chase round our pastureland behind the fearsome flail machine which is designed to top the seeding grass so that it goes on growing as fresh nourishment for the grazing flock. The cut grass lies on the surface and if three days of hot sunshine and a breeze ensue, and you remember to turn and aerate the cut vegetation once or twice, then, lo and behold, on the fourth day you have a sweet smelling load of hay which comes in useful later in the year. This June meteorological conditions did not contribute to a notably successful outcome to this annual operation. I did the topping exercise and then it rained. Hot baking sun did not emerge to toast the vegetation into hay. A week of lifting, turning, and drying between showers did give us some hay but at what cost in terms of the person-power applied to it I do not like to think. The damp conditions have also contributed to early episodes of flystrike. We look at every ewe and lamb at the dawn patrol for here is the authentic illustration of the old saw that a stitch in time saves nine. Get to the animal as she shows the first sign of unease and you forestall a distressing problem of massive flystrike only 24 hours later. So vigilance pays off and the flock look well. We shall shortly have to sell some of the lady shepherdess's prize winning flock of Herdwicks so if you are looking for a starter flock to keep the grass down in the orchard or add grace to the estate, then give us a bell, do. Ovine families released, of course, only to homes able to provide impeccable references.

COLIN LUCKHURST

هكذا من الاصل

هكذا من الاصل

Diary

Matthew Norman

IN today's penultimate instalment from the letters of android MP Helen Brinton, we return to Kent in 1990. The then prospective parliamentary candidate for Faversham has returned from the national women candidates' training course. "I thought that you and the constituency would be *proud* to know — and I do hope that you are going to tell them (if not I will) — that we are obtaining apparently 'abnormal' and 'crackers' MP visits and press coverage," writes Helen to a senior officer of the local party. "I have never got from the CLP any sense that this is *special* or *important*, or that I should feel good about it . . . but make no mistake, I should. So, like it or not, your PPC is getting the best MP coverage and press coverage in the country for women candidates." Waging a valiant war with her own bashfulness, and winning, Helen moves to the training session on TV interviews. "We were all asked how many times we had been on the box since being selected," she explains. "I had to mention my six times. Horror, I'm afraid, from the others." Surely not?

AN anonymous employee of bookmaking chain Coral's calls to invite Diary forecaster Steptoe to the opening of a new shop in Dagenham today. Channel 4 Racing's Derek Thompson, he adds, will be there too. Alas, the dog is on holiday, in west Wales, and sends his apologies. As for TV's Thommo (45), a call to his premium-rate phone line finds the Channel 4 Racing man on his old form, his two sure things at Yarmouth — both hot favourites — coming in second. No wonder Coral's are so fond of him.

SANE and rational Paul Johnson sizzles in the Spectator once again with another thoughtful piece about the Guardian and his churchwarden chum Jonathan Aitken. "It is worth remembering," writes the sage, "that all Aitken did was to lose a libel action. He fought a good fight." A good fight, yes, and a clean one too. We hang our heads in shame, lifting them only to read a Times piece by Paul's saintly wife Marigold about how, at 60, she is training to become a counsellor. "Almost any background can be both useful and irrelevant . . ." Who can say where four decades with Paul fits into that?

ENTHUSIASM for New Labour reaches an alarming pitch in Liverpool, where Sam Semoff, secretary of the Granby Labour Party, has written to members. "There will not be any attempt to hold a meeting in July," he begins. "Within the last two years the Ward has had one quorate meeting and this includes attempts over the last six consecutive months to hold an AGM. Attendance has averaged about two people per meeting," he goes on, "not including councillors who have on occasion outnumbered members."

IN these days of relentless pressure on police budgets, Police magazine reports that a certain Sergeant Pringle of the Motor Patrol in Alnwick, Northumbria, has set a fine example of ingenious cost-cutting. The sarge, a big man, has written to the supplies section with an artful solution to the problem of long waits for outsized garments. "Past experience has left me somewhat cynical, and I decided it would be quicker to lose two and a half stone, and order an XL protective vest, than wait for the delivery of a vest," explained the sarge. "Having achieved this goal, I now ask to be issued with an XL vest. I would also request a requisition for an issue of two smaller pairs of trousers, two smaller Nato sweaters, a smaller tunic . . ."

AT the Oak Hill funeral home in San José, California, $20,000-worth of damage has been caused when the cremation of a 21-stone man went out of control. Firemen blame "the build-up of fats from the body". Death, it seems, is no protection at all against the threat of high cholesterol.

As we sleep, America wakes up to China

Commentary

Hugo Young

IN THE coming months, no fewer than four blockbuster movies will open in the United States with story-lines focused on or in Tibet. Such a critical mass of popular culture, concerning a country which most Americans could barely locate on the map, is mystifying — but exemplary for Hong Kong. Having ceased to be a British colony, this place will not suffer from post-colonial neglect. Re-absorbed by China, it now takes its place, alongside Tibet, in that perilous region, the zone of American political concern. From now on, Britain will forget Hong Kong, even as Washington deepens the discovery it recently began to make.

The British Government made the right noises of commitment this week. Robin Cook was speedy off the mark, rebuking the arrival of the mini-tanks. The Prime Minister spoke with sincerity the glutinous words of mutual interest the Foreign Office prepared. We will be watching closely: this is the bipartisan promise both Tory and Labour leaders have made to Hong Kong democrats and human-rights activists most under threat from Beijing. I think it adds up to less than a row of beans in the coffers of Jardine Matheson or the thousand other British businesses now deeply into China.

The US obviously has more leverage but, which is more telling, is in the middle of a ferocious argument about how to use it. In Britain, Hong Kong is the fastest fading story but, in the US, China is the fastest growing. This is not least the legacy of former governor Patten. A China-loving US businessman, scowling bitterly, told me on the eve of the Handover that by far the largest consequence of Patten's disastrous tenure was to have made Hong Kong a human-rights issue in Washington.

There it takes its place among many other China issues that are the subject of a debate, the like of which has ceased to occur in Britain on any foreign question except Europe. Europeans are prone to sneer at Americans for their parochialism, but the truth is that Washington has become the only place in the West where foreign policy engages deeply felt convictions on either side, and often, as over China, within the sides. If this does nothing else, it will at least ensure that Martin Lee, leader and symbol of Hong Kong democracy, already forgotten in Britain, retains an audience on the global airwaves.

For many people, such a level of US engagement is not a good prospect. They look at what happened in the Taiwan Straits last year, with the beginnings of a US naval mobilisation to forestall China's aggression against the territory it wants back even more zealously than Hong Kong. There's a school of thought in Congress that takes to fanatical extremes the old American missionary zeal, and proposes a policy of isolation, even containment, until China fulfils a list of civilising demands.

"Changing China" is at the heart of President Clinton's strategy as well. Everybody in the American debate agrees, with a hegemonic certainty Beijing is bound to detest, that China must be made to conform to international standards in many fields. Clinton, however, embarked on a line of "compehensive engagement" to this end, and his administration remains committed to it. It pushed Congress on the over-arching trade issue, will help Beijing into the World Trade Organisation, and believes in dialogue rather than the deep freeze favoured by both the Republican right and the Democratic left in Congress.

> To find a real voice, Hong Kong's final lesson from the old masters is that she will have to look elsewhere

In this argument, Hong Kong has become the conspicuous litmus-test of what China really means, for the simple reason that every tremor of retreat China makes on the undertakings that were so fulsomely reaffirmed by President Jiang on Tuesday agitates the missionary conscience of the Middle West. It is not, I am sure, that many Americans want to loose off the cannons across the Taiwan Straits. But Hollywood, though far from infallible, is seldom wrong four times over about the wellsprings of the American popular mind. Although Hong Kong has no Dalai Lama presently in the frame, it might be capable of enlisting similar tidal passions if things start to go seriously wrong.

There are those who scorn such concern. Does America suffer from "enemy deficit syndrome", a condition now remediable only by conferring satanic status on the last outpost of Marxist-Leninism? That is part of the diagnosis, and is something any US Administration must be cautious not to agitate. But if the professed concern for human rights in China is to be more than so much fluent twaddle, something better than passive acquiescence — the dialogue of endlessly unabrasive understanding — will be required. Britain cannot be relied on to rise above a bleat, her concerns now being confined to China commerce and therefore, in the clinch, appeasement. To find a real voice, Hong Kong's final lesson from the old masters is that she will have to look elsewhere.

How I made my mark on the Millennium

Bel Littlejohn

NICE to be back in the yurt again. Glastonbury was as mind-expanding as ever (truly great rockin' set from Radiohead — thanx guys!) and somehow the mud and the rain made it incredibly moving. In fact, the yurt moved an incredible four feet down the slope in the night, and I found myself lying on top of lovely Labour arts supremo, Mark Fisher — sorry Mark! But more on Glastonbury later.

Talk about hitting the ground running! It's been go, go, go ever since last week, when Peter (Mandelson) appointed me Youth Organiser for the Millennium Dome. "We've got to get youth on our side, Bel — and you're the one who's going to do it for us," he said. "After all, wasn't it you who went to Woodstock?"

"No," I explained, "but I heard the album."

At our inaugural meeting, Peter said our first task was to think of a better name than just boring old "Dome". "We've got Cameron Mackintosh putting on a brand new revival of Jesus Christ Superstar, we've got Tom Jones as Jesus and Cilla Black as Mary Magdalen, we've got Richard Rogers's fabulous, very fifties-stroke-sixties design for the building itself. Now all we've got to do is think of a very up-to-the-minute, really happening name for the event — any ideas, guys?"

"The Millennium-a-Go-Go?" suggested David Jacobs, who's overseeing the music side of things. "In my day, that used to suggest something terribly jazzy."

"Nah!" chipped in Janet Street-Porter. "Get a life, granddad. That's dead square. We should call it *TFI* Millennium, or better still, if you wannabe really in, man, DEF II Millennium after my mould-breakin' show, anyone see it? Fuckin' grooverama, it was."

At the head of the table Peter looked uncertain. "Alan, any ideas?" he said, turning for advice to New Labour's specialist in future trends.

"Greetings, pop pickers," replied leading DJ and trend-setter *par excellence* Alan Freeman. "Howsabout the Millennium Roadshow — that's got a happening-type feel about it, dontcha think — not arf! All right, Pete, me old mate? Right! Stay bright! This is your old mate Fluff sayin' tara for now! Ta-ra!"

"Thanks for that valuable contribution, Alan," Peter concluded, "but I'm not sure we've quite cracked it yet. Over to you, Bel!"

"Thanx, Peter," I said. "You know, I went to a truly brill concert in Norwich last night, with all my fave bands on one bill — not just Hawkwind and the Groundhogs but Peter Green too, can you believe it. And you know what they called it? The Alternative Experience. And I think that's what we should call it if we want to be truly where it's at as Big Ben strikes midnight on December 31 1999 — yup, the Millennium EXPERIENCE."

Sure enough, Peter was over the moon. "That's the one!" he said. "Yeah! The Millennium Experience! It's so *now*, it's so *happening*, it's so *totally good-hair day!*"

I'd be lying if I said I wasn't dead chuffed to have my own title chosen. Sorry, Janet love! From now on, whenever the Millennium Experience is mentioned, the name of Bel Littlejohn will be associated with it — though rumour has it there'll soon be one further name-change. Apparently Peter asked Tony whether he didn't think that The Mandelson Experience has a nice, forward-looking ring to it, a name for the 21st century and beyond.

Which brings me back to Glastonbury. Tony has made it clear he wants the young involved in his government from the word go. Last week he asked Euan's permission before giving the green light to the Millennium Experience, and brought a little girl from Northern Ireland into the Peace Process, and the week before Euan also gave him the go-ahead for his anti-pollution measures. Nuff said!

AT THE moment, he's casting round for a bright and resourceful 10-year-old to be Minister for Children, and by the turn of the century a minimum 25 per cent of government decisions on tax and welfare will be taken by key officials in the 7-12 age group. Which is why Mark Fisher, myself, Harriet Harman (who, as Harriet Harmany once toured with Steeleye Span in the early seventies), Jack Straw and Alistair Darling set off on a fact-finding mission to Glastonbury. We were determined to find out what the young are really thinking — and to let them know they're this government's number-one priority — so hang loose, guys 'n' gals!

Mark Fisher looked really great in his Julie Driscoll-style afro-wig as John Peel introduced him on the main festival stage. With a very modest light-show (strobe, bubble-lamp) he outlined the Government's attitude to European Monetary Union, all to a light backing from Jack Straw on castanets. He then introduced Alistair Darling, who drew roars of approval from the crowd as lead singer of The Bootleg Nina and Frederick. Then I sat back in the yurt and listened to Skunk, Fathead, Wimp and Scumbag for what seemed like years. "Hey guys!" I said to them, "but shouldn't we be listening to the bands?" So we stopped talking and just listened. Talk about terrific vibes! Yup — we're all young under Tony!

Watching the parade

Decca Aitkenhead

THE young woman has been talking about Drumcree for about 20 minutes when she pauses for breath. She hitches her baby from one hip to the other, looks shy for a moment, and asks the inevitable question. "So, er, what d'yous all think about this over in England, then?"

I've yet to interview a nationalist in Northern Ireland for more than five minutes without being asked this question. And as we gaze down the Garuaghy Road through the evening rain, at the hundreds of people out waving placards and banners, the answer feels as limp as ever. But she nods, unsurprised, and smiles. "Aye, that's what my friends over there say. They just don't really get it, do they?"

If there is one piece of the Northern Ireland conflict above all which confirms mainland bafflement, it's the summer marching season. For the best part of the year there are talks, and there might be bombs and shootings too, but the problem and its progress make sense of sorts. And then, come July, no matter how it's going, the whole damned thing goes mad. Out come those funny men in fancy dress for a bit of a march, everyone else goes crazy, and before you know it there's another bomb-scare at Euston and you're stuck in Bletchley for two hours. What is their problem?

Standing somewhere like Bletchley station, then, you might well be inclined to see the tensions over this Sunday's Drumcree march in Portadown as a mystifying nuisance. Why not just let the Orange Order stick on their bowler hats and march, and be done with it? Can't the Catholics on the Garuaghy Road live with it for one day in the year?

Sitting in the Northern Ireland Office, Mo Mowlam might feel tempted to agree. She saw the beatings and road blocks and ugly chaos which last year's aborted attempt to block the march sparked; and she has heard of Orange plans to repeat the mayhem again if necessary. She has heard a loyalist splinter group threaten to carry out killings if it is blocked again this year; she has heard the US business envoy in Ulster this week, warning, with that cold menace which big money commands, that violence this Sunday will jeopardise economic investment. And, of course, she will have heard Portadown's loyalists.

"It's only a church parade — a Christian parade. It's got nothing to do with politics at all." A shop assistant, daughter of an Orangeman, just cannot see the problem. Like every loyalist I speak to in Portadown, a pretty, mostly Protestant and fairly prosperous little town, she affects bewilderment at Catholic objections. "Why should we stop doing things that are our history? It's our tradition. It's like Christmas."

Another Protestant, who "wasn't brought up bitter", thinks: "If they come into our country and they want to live here, well then they have to put up with our traditions. It's just tradition — that's all." Her shopping is slowed down by the crowds out stocking up on provisions; everyone here is expecting trouble, and few imagine shops will be open come Monday. Her way home, down roads strewn with red, white and blue bunting, will be delayed by RUC and Army checkpoints. Is it worth the bother? "Och, yes! We couldn't not march down that route. It's tradition."

There is only so much wide-eyed, disingenuous talk you can take, and some sort of reality promptly returns as soon as you actually witness an Orange march through a Catholic area. There can be few spectacles on earth less festive or non-political; they are grim-faced affairs, bristling with hostility. Sinn Fein complain of their "triumphalism", a word which sounds like propaganda until you watch a parade go by, and then you see what thay mean. And, after all, that's the point.

> There is only so much wide-eyed, disingenuous talk you can take, and some sort of reality returns as soon as you actually witness an Orange march through a Catholic area

And that is why the protests of the residents down on the Garuaghy Road are not all entirely ingenuous either. Mothers complain that their kids cannot play in the park if the march goes ahead; this is clearly true, but not the point, and certainly not the motive which has brought hundreds out to meetings and pickets on wet nights all week. The point is about the political symbolism of loyalists marching in Orange glory within yards of Catholic homes, ushered through by massed ranks of the RUC and the British army.

The Garuaghy Road is a wide, tricolour-lined thoroughfare through some of the bleakest housing in Portadown. It runs less than half a mile from the small church where last year's conflict exploded, and has become — like so many spots in Northern Ireland — a political symbol wildly out of keeping with its humble aspect. There are countless Catholic areas across Northern Ireland facing the annual flashpoint of loyalist marches this summer, and yet, because of last year's debacle, it is now the place where the new government must demonstrate its policy for the province.

As political symbolism goes, the decision last summer to allow the march through, after days of threats and violence, is as good a metaphor for Major's Ulster policy as you'll get; when push came to shove, so to speak, the Unionists had to be appeased. For Mo Mowlam, this is the moment to make it clear that rituals designed only to provoke can no longer be passed off as "traditions", and that marching through Catholic areas is a "historic right" which the loyalist community, in the interests of a more peaceful future, can no longer exercise. It is also the moment to demonstrate that, if the decision to re-route the march is made, the RUC's mind cannot be changed by a few good kickings and some brotherly appeals to loyalty.

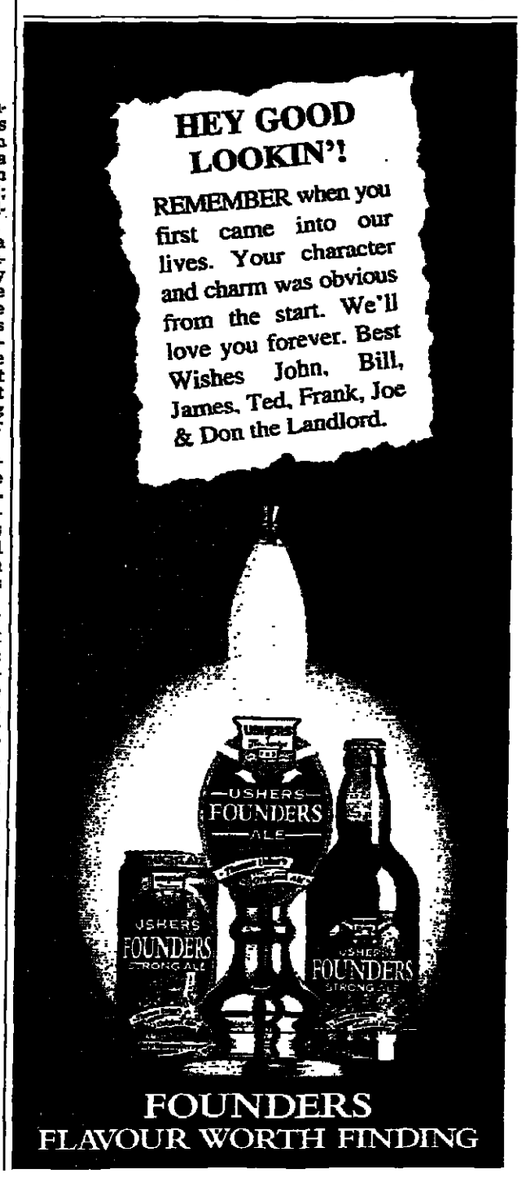
"Ah well, there'll be a blood bath either way," Protestants in town promise. "It'll be world war three, whatever they do," confirm grey-faced Garuaghy Road residents, as they spill out of smokey meetings. Fatalism in Portadown has become a kind of common faith; violence is predicted with at best resignation, at worst a sly relish. Every news bulletin headlines with Drumcree, and reports that "talks are intensifying". As tension builds, and the town awaits a decision, a newspaper office in Belfast gets petrol-bombed; people shrug, point to the calendar, and say, well, it is July.

The marching season is a fixed point in the life of Northern Ireland. It is held dear by both communities. To some people on the mainland, the spectacle of a working class culture exercised by something more powerful than the thought of how to pay next month's Sky TV installment may be a weird and troubling thing, but the people of Ulster are, reasonably, proud of it.

The insanity of it is the assumption — endorsed by the mess of Drumcree last year — that it must always bring violence. One woman predicts carnage — "but when it's all over," she chuckles, "the town goes back to being friendly as ever."

So what happens on Sunday is not just about Drumcree. It is about bringing an end to a "tradition" guaranteed to explode whatever progress the peace process has made each year. It is about both communities demonstrating that their attachment to marches is legitimate; that the loyalists can still take pride in theirs when they don't involve insulting Catholics on their doorsteps, and that nationalists mean it when they say they respect Orange culture. It is about replacing the unhelpful absurdity of annual "last minute crisis talks", as if no one knew the march was coming, with a precedent which puts peaceful streets above claims to this traditional route of that.

"If we lose Drumcree, we lose Northern Ireland," Protestants in Portadown keep repeating. Nothing in Northern Ireland is ever that simple. But if they "win" Drumcree, this particular scab in the province's scars will keep on bleeding.



Robert Mitchum and **James Stewart**: an appreciation by Derek Malcolm

Long slow fade to an era

THE DEATH on successive days of Robert Mitchum and James Stewart, two great stars of Hollywood's more glorious decades, looks to me like the end of an era. Those who say that departures in the movie business invariably go in threes tremblingly await Father Time's next candidate.

Mitchum and Stewart couldn't have been more different in their screen personas — the former, a handsome man with the sexiest eyes in the business who always suggested some sort of wickedness was behind them; the latter, an attractively shambling figure who looked as if he would make a good, obedient husband.

In many ways they represented the two sides of the American character, macho and vulnerably human. Both were much better actors than most people once thought, capable of giving great performances — Mitchum as the evil preacher in *Night Of The Hunter*, Charles Laughton's only film as director, and Stewart in classics as totally different as Cukor's *The Philadelphia Story* and Hitchcock's *Vertigo*.

Both too were much loved by their public, Mitchum for his wonderful line in self-deprecation, Stewart because he seemed, more than any other Hollywood star, like your nice, ordinary neighbour. And their fans were not just the 68 per cent of regular filmgoers under age 24 as now; but absolutely everybody of whatever age. It's a terrible cliche, but we really will not see their like again.

How could we when almost all Hollywood can think of nowadays is car crashes, explosions and gigantic special effects? How could a Stewart or a Mitchum survive today? Pretty well, perhaps. But they'd hate it, like Jack Nicholson does as he refuses one hopeless script after another or asks for ever huger sums of money to make something he despises.

Having met both Mitchum and Stewart, I can say that each was charming, with the proviso that Mitchum had to be sober to qualify for that description. I once wrote a monograph about Mitchum and presented him with it just before a Guardian Lecture at the National Film Theatre.

"Do I have to read it?", he said. "No", I replied. "Just sign the bloody thing and give it back". He laughed at that, and then admitted that he was very nervous about going on stage "because, if you ask me about my movies, you won't get much since I've never seen most of them. Besides, will anyone remember me?"

He got a standing ovation and was so pleased that he treated us to one and a half hours of expert mimicry of the stars and directors he had come across. The last imitation, believe it or not, was of Joan Collins. Which is why I now laugh whenever I see her.

Stewart was not that entertaining when you met him, and woe betide a representative of the Guardian if he opened his mouth politically. His views were slightly to the right of Genghis Khan. So much so, in fact, that Hans-Jurgen Syberberg, the eccentric German film-maker, once asked him at his front door to play Hitler. Apparenty, Stewart graciously declined, since he was a charming man in other respects.

> Their fans were everybody of whatever age. It's a terrible cliche, but we really will not see their like again. How could we when almost all Hollywood can think of nowadays is car crashes, explosions and gigantic special effects?

Like Mitchum, he hated all the celebrity stuff. But he was not irritated, as was Mitchum, by being constantly mistaken for somebody else. In Mitchum's case, it was Kirk Douglas and he told me that he used to reply to the "Hello, Kirk" cries in the street by saying: "No, I'm Marlene Dietrich in drag".

Incidentally, though very Capra films like *You Can't Take It With You* and *It's A Wonderful Life*. And, of course, with *Harvey*, perhaps the most popular part he ever played, talking to that awful imaginary rabbit in a way which prompted a fellow star to say that he was born for sentimental monologues.

But he tried, and succeeded, in toughing up his image with a wonderful series of Anthony Mann Westerns, which stretched from *Winchester 73*, in 1950, to *The Man From Laramie* five years later. The latter was Stewart's favourite and helped to make him the biggest box-office draw of the year. He was surprised, as he usually was, by his successes because this was the heyday of John Wayne. But he gave a revealing reason why. Maybe what it is, he said, is that people identify with me and they just dream of being Wayne. Hitchcock further subverted his niceness, particularly with *Rear Window* and *Vertigo*, two parts in which he took more risks than ever before.

When Hitchcock spent half an hour shooting Kelly's shoes in the former film, he replied, to Stewart's evident incomprehension: "My dear boy, where have you been? Haven't you ever heard of a shoe fetish?" He probably hadn't, being straight up and down in those respects. One is not so sure Mitchum was, or why, with those bedroom eyes, Hitch never used him.

Stewart, though a less interesting and complicated man, was probably an even better actor than Mitchum and certainly never sleepwalked through his parts like Mitchum sometimes did (albeit often rather splendidly). Stewart's attention to character detail and punctiliousness on the set was legendary.

One of the factors which set him apart was his extraordinary, stumbling voice — the smallest modulations of which he could somehow make mean a great deal. And it is rather shocking to think that large tracts of the world never actually heard it.

At the Berlin Festival, where I first met him and where a vast and popular retrospective was mounted, Stewart got a huge reception and so did a little man with a moustache who followed him onto the stage. It was the actor who had dubbed him in Germany for 30 years.

He was once called, by Frank Capra, an educated Gary Cooper. But he could as well have said an educated Robert Mitchum. Yet both were capable of tremendous things on the screen at almost every stage in their careers. They reacted rather than acted, which, as Howard Hawks used to say, was the best way for the screen.

The last word has to go to Mitchum. In one of his more belligerent moods, he once said: "I'd fight anyone (pause). Anyone (pause). Except Frank Sinatra (pause). He wouldn't give in till he'd killed you. And I ain't ready for Boot Hill yet — six of your closest friends carrying you by the handle".

The fact that both these irreplaceable stars are now ready for Boot Hill, one after the other, is a huge loss to the cinema. Let's hope six of their closest friends do carry them by the handle.

Dame Sylvia Crowe

Lady of the landscape

WHEN a national newspaper showed a striking photograph of a lakeshore, captioned "In a winter wonderland", there was a credit for the photographer and journalist but no mention of the landscape architect who modelled that evocative setting, the reservoir at Rutland Water. It was Dame Sylvia Crowe, who has died aged 95. Up to a point, she would have enjoyed that anonymity, but she might have remarked that her profession deserved some credit too.

She was, indeed, the great doer of her generation of landscape architects, who found themselves in the 1950s challenged by opportunities arising from post-war redevelopment. "The object of my work and writing," she wrote, "is to reconcile the needs and aspirations of men with the welfare of the natural order and to create beauty out of the fusion of the human spirit and the workings of nature. I try to enter into the spirit of each landscape and to express its individual character."

Guided by these ideals, Sylvia Crowe produced landscape masterplans for new towns (Harlow and Basildon in Essex from 1948; Washington, Co Durham, and Warrington, Lancashire, in 1957), landscapes for new reservoirs (including Bewl Bridge and Bough Beach in Kent, Rutland Water and Wimbleball in Devon, all in the 1970s), settings for power stations and hospitals, coastal reclamation schemes and roadworks. She laid out grounds and gardens for educational establishments, including University College and Magdalen College, Oxford, and commercial offices such as the Cement & Concrete Association Research Station, and the Scottish Widows' Fund and Life Assurance offices in Edinburgh.

She also believed in spreading her ideas by writing. She backed up numerous articles with several books in her fresh precise style — *Tomorrow's Landscape* (1956); *Garden Design* (1958); *The Landscape of Power* (1958); *The Landscape of Roads* (1960); *Space for Living*, editor, (1961); *Shaping Tomorrow's Landscape* (1964); and *Forestry in the Landscape* (1966).

This last, immensely influential, slim book followed her appointment in 1964 as the first landscape consultant to the Forestry Commission, a post she held for 13 years. In it she displayed that she was as sensitive to her human milieu as to the natural. She won the whole organisation over to her plans with her infectious smile and lucid exposition.

In the early 1980s every forester in the land, from those felling stands of conifers on remote moorlands to senior directors of the commission in London, would quote her ideas, most recollecting an inspiring personal briefing received, in sun or snow, among the trees. She completely changed the ethos of the organisation, from a narrow specialism to a body able to balance different kinds of commercial need such as recreation and timber production with beauty of landscape, which itself underwrites prosperity in the long term. She taught everyone to look at the shapes of their woods on the hills.

Sylvia Crowe was born in Banbury, educated at Berkhamsted Girls' School and Swanley Horticultural College (1920-22), and became a pupil of the London landscape architect Edward White from 1926. In the war she served as an ambulance driver. She started in private practice as a landscape architect in 1945, for many years sharing an office with the late Brenda Colvin.

IN parallel with her life of creative activity, she served her profession with energy. She was founder honorary secretary of the International Federation of Landscape Architects (1948-58) and vice-president (1958-70). She was an early activist of the International Union for the Conservation of Nature (IUCN). She was elected president of the Institute of Landscape Architects of the UK in 1957.

Sylvia Crowe received a number of honorary doctorates and honorary fellowships of professional bodies both at home and overseas. In 1988 she was awarded the President's Medal of the American Society of Landscape Architects. She was created CBE in 1967 and DBE in 1973, the first landscape architect to be honoured by a knighthood since Sir Joseph Paxton, 122 years earlier.

Hal Moggridge

Sylvia Crowe, landscape architect, born September 15, 1901; died June 30, 1997

Sylvia Crowe . . . Teaching students to look at the shape of woods on the hills ALLAN REEVEL

Annie Fratellini

Clown and creator

ANNIE Fratellini, who has died of cancer in Paris, aged 64, was a talented circus performer who established one of France's first schools for aspiring jugglers, trapeze artistes and clowns.

She was born in Algiers, the daughter of the circus star, Victor Fratellini. Her grandfather, Paul, was the main *auguste* in the most celebrated of musical clown trios of their time, the Fratellinis (with his brothers, François and Albert). They achieved enormous success in the 1920s at the fashionable Cirque Medrano in Montmartre.

Annie became a successful stage and cinema actress, with leading roles in a number of films, including *Zazie dans le Metro* (1960), *Pour Tout l'Or du Monde* (1963), and *La Metamorphose des Cloportes* (1965). She married the director Pierre Etaix and worked with him, for example in his 1968 film, *Le Grand Amour*. Etaix had previously starred in, written and directed *Yoyo* (1965), in which he played the part of a circus clown. This was filmed with the touring Cirque Pinder, in which Etaix and Annie later appeared in their own clown act.

Both believed that the circus as a performing art was as important as theatre, dance, cinema and mime, and this led them to start a national circus school in Paris in 1974. Around the same time, the theatre director Sylvia Monfort enabled Alexis Gruss and his family to set up their Cirque à l'Ancienne, with its school for aspiring artistes, also in Paris. These innovations launched a renaissance of interest in the circus, in France and internationally.

Fratellini's Ecole Nationale du Cirque welcomed youngsters from the age of eight to its permanent big top at the Porte de la Villette. They would study dance, acrobatics, balancing, wire-walking and juggling. For those over 16, studies included compulsory dance and acrobatics, after which pupils opted for specialities ranging from the flying trapeze to bareback riding. All the tutors were former circus artistes with over 20 years' experience, keen to pass on their knowledge and technique to the next generation. This was a minor revolution in a profession which had tended to pass on its skills within families, resenting any intrusion by outsiders in its competitive world.

Fratellini: star and teacher

Fratellini's own circus toured in France, Belgium, Italy and the US, visiting Britain in 1984, where it opened at the Shaw Theatre in London. In 1985, Jack Lang, the French Minister of Culture, presented Annie with the Grand Prix Nationale du Cirque, a distinction which recognised her show as "the best circus of the year". She was also awarded France's National Order of Merit and made a Knight of Arts and Letters. Last year, although suffering from cancer, she insisted on being carried discreetly into the darkened tent of her circus school during a performance.

Many of today's successful circus artistes owe their start to Annie Fratellini, including the clown duo Petit Gougou and Eddy Sosman, and the trapeze artiste Sandy Sun. Matthieu Dallant, who won the Best Comedy Act in last year's British Circus Awards, was one of her pupils and he remembers her fondly: "She was the school, she made it what it was. She fought a lot for it, it was the only place where you could learn. She gave a big chance to many, many people in the circus. She could spot the people with talent; every year at the end-of-term circus show, she would know who would succeed and who wouldn't. Without her I wouldn't be doing what I am doing today."

Veronique, a teenage trapeze artiste, said: "Annie Fratellini was a great believer in tradition, but she took it one step further and opened the door to the future."

Fratellini will be buried today at the Montmartre Cemetery, not far from the site of the Cirque Medrano which regularly shook with laughter at the Trio Fratellini's clowning.

David Jamieson

Annie Fratellini, clown, born November 14, 1932; died July 1, 1997

Obituaries of Sylvia Crowe and Annie Fratellini appeared in the first edition yesterday. Full obituaries of James Stewart and Robert Mitchum appeared yesterday and on Wednesday.

Birthdays

Rene Arnoux, racing driver, 49; **Alec** and **Eric Bedser**, cricketing twins, 79; **Janet Cohen**, banker, 57; **Alastair Goodlad**, Conservative MP, 54; **David Jensen**, disc jockey, 47; **Duncan Lamont**, composer, 66; **Henri Leconte**, tennis player, 34; **Ute Lemper**, singer and actress, 34; **Gina Lollobrigida**, actress, 70; **Francis Maude**, Conservative MP, 44; **Jenny Seagrove**, actress, 40; **Pam Shriver**, tennis player, 35; **Neil Simon**, playwright, 70; **Colin Welland**, actor, playwright, 63; **Lord Wyatt**, columnist, 79.

Death Notices

HOWARD. Tonia, on June 27th, aged 64 years and the wife of the late Eric (Rik), a loving daughter of the late Margaret and Bert Deakin of Middleton. The funeral service followed by committal will take place at Agecroft Crematorium on Tuesday July 8th at 2.30pm, family flowers only please. Donations in lieu to the charity fund of the Rotary Club, Bolton. Please direct all enquiries and donations to Laithwaites Funeral Service. 0161 736 1414.

JACOBS. Sylvia, aged 82. Socialist, Campaigner, Psychiatric Social Worker, Counsellor, Friend, much loved 'Dill' and Grandiff to her family. Died suddenly on Wednesday 25th June at Princess Alexandra Hospital, Harlow. Private family funeral. No flowers. Donations please to Mencap. Memorial celebration of her life to follow. Enquiries to Co-operative Funeral Services, Old Harlow. 01279 441444.

YURL. William, in Zagreb on Sunday 22 June, aged 76, (formerly of Aberdeen, Sheffield and Nottingham).

Acknowledgments

PAYNE. In thanks giving to our Lady of Mount Carmel. Novena answered our son Julien gaining a 2:1 university degree. Grateful parents.

Engagements

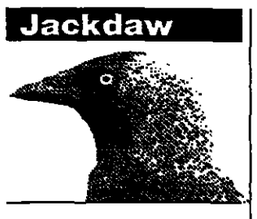
BURDGE & PHILLIPS. The engagement is announced of Richard, only son of Mr Geoffrey Burdge and Mrs Catherine Burdge of Kent, and Alexandra Evans, youngest daughter of Mr and Mrs John B. Phillips of Sannox, Isle of Arran.

Marriages

McCABE-SMITHERS. Eamonn and Rebecca are happy to announce that they were married in Manhattan on 1st July, 1997. Celebrations later.

To place your announcement telephone 0171 713 4567 or fax 0171 713 4129 between 9am and 3pm Mon-Fri.

Jackdaw



Mad Max

MAX was a stray who turned up on Pete's doorstep three years ago in the middle of a stormy night. The pair have been inseparable ever since — so much so that the Alsatian-Collie cross would wimper at the waterside every time Pete went out for a surf. But now he has his own luminous yellow doggy wetsuit and specially adapted board, so he can join his master on the waves, usually catching longer rides than most experienced surfers. Four legs are definitely better than two when you are trying to keep your balance. All Pete has to do is put the board on the water and Max runs into the shallows with tail wagging and jumps on. Pete pushes him out to the lone up, sets the board up in position, waits for the right wave, gives him a shove off and Max surfs the wave all the way back to the beach. Apparently he's getting really quite good at trimming the board to stay with the section.

Max, the surfing dog, in windsurfing magazine Boards.

Hey, teacher

TO all present and future practitioners of the craft.

This page reflects a necessary message for those of you seeking a teacher. I ask that you please TAKE HEED! There are hypocrites in all religions and unfortunately, Wicca is no exception. Protect yourself! When seeking a teacher, ask yourself these questions:

1. Is this person controlling, manipulative, selfish, egotistical?
2. Is this person constantly secretive, making you "pull" information from them?
3. Is this person supportive of your own spiritual growth or do they try to keep you "less than?"
4. Does this person claim to be a friend, but act otherwise?
5. Do you feel your energy being depleted after spending time with this person?
6. Does this person use their abilities to instill fear in you?
7. Is this person usually available when you need them?
8. Does this person constantly demean you or "test" you as a supposed measure of your progress?
9. Is this person genuinely interested in your well-being, or are you merely an extension of themselves, ie a means to a higher degree?
10. Does this person claim to be a high priest/ess but have no proof of training, group experience, or lineage? (Their status may be all in their mind).
11. Does this person ask you to give up possessions or people?
12. Is this a person you desire to link with, possibly for a lifetime?
13. Above all, does this person appear, through their actions, to be living in accordance with the Rede?

Think carefully about your answers to these questions. If the teacher does not "fit", if you experience major negativity from this person, BEWARE! They may be a psychic vampire, primed to suck the energy and life blood from you.

Found on the Gateway To The World Of Enlightenment site at http://members.aol.com/azure003/azure2.html by Lindsay Marshall

State of mind

I HAD a serious shock the other day — a young man got up and offered me his seat on the Underground. Never mind the police getting younger, let me warn readers of male variety that when this first happens the effect is terrible. There you are, fancying yourself fairly spry, perhaps cherishing the illusion that you are marvellous for you age, but no — decrepitude is written all over you.

I now slink into a crowded train with a hang-dog air, hoping to hide in a corner and escape notice. I feel as if I have passed the penultimate milestone on the road of life. All that remains is for me to be offered a seat by a young woman and I shall turn up my toes and die. If this column comes to a sudden end that could be the reason why.

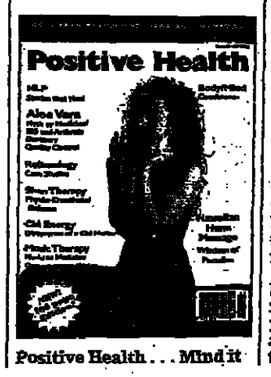
From The World According To Enfield Senior, The Oldie.

Equal untruths

ARE all untrue things equally unlikely or are some less likely than others? Given that neither the Loch Ness Monster or the Artist formerly known as The King is actually alive, which are you more likely to see pumping gas in Idaho? Peter Doskoch, Executive Editor of *Pyschology Today*; Dr Stephen Mason of *Skeptical Inquirer*; James Randi and Nathan Myhrold of the Microsoft Corporation ranked major paranormal phenomena in terms of probability. Here's what they decided was most unlikely:

1. In baseball, the man who makes a great defensive play to end an innings invariably being the guy who bats first in the next.
2. The Loch Ness monster.
3. UFOs.
4. Spontaneous human combustion.
5. A humanoid face having been deliberately carved into the surface of Mars.
6. Bigfoot/Sasquatch.
7. There being something odd about the Bermuda triangle.
8. ESP.
9. Elvis or JFK or Jim Morrison still being alive.
10. Voodoo/Sympathetic magic.
11. Telekinesis.
12. Werewolves.
13. Crop circles being caused by something other than hoaxers.
14. Astrology.
15. Nostradamus.
16. Reincarnation.
17. Ghosts.
18. Out-of-body experiences.

SPY'S list of non-existent phenomena.



Positive Health . . . Mind it

Healing words

IF the words we use are our conscious communication, then the metaphor is probably the language of the unconscious mind. What has all this got to do with health? Well, to start with your unconscious mind runs most of your day to day bodily functions, without you having to be consciously aware of them. Breathing, digesting, to name only two.

Just think, wouldn't it be handy to be able to talk directly to the co-ordinator of your physical being? After all, who can be a greater authority on the health of your body, than the unconscious of your mind? Furthermore, that authority is likely to be the best place to find a remedy.

Talking to your unconscious mind is really child's play. The language of the unconscious mind is one of story, symbol and metaphor. There is nothing the unconscious mind enjoys more than the space to create the opportunity to solve problems in the most ingenious of ways. This does not mean that you have to create stories consciously, in fact quite the opposite. This is where your skills of vision and imagination come in, your only conscious input is to let in happen.

The gift of the gab? In Positive Health.

Jackdaw wants jewels. E-mail jackdaw@guardian.co.uk.; fax 0171-713-4366; write Jackdaw, The Guardian, 119 Farringdon Road, London EC1R 3ER.

Hannah Pool

هكذا من الاصل

هكذا من الأصل

The Guardian
Budget 2
Friday July 4 1997

- Shopping spree fuels fears of rate rise
- A wonderful Budget for British films
- Gordon keeps in step with the fashion

Fourteen schemes billed as biggest building programme in history

£1.3bn private finance for NHS hospitals

David Brindle, Social Services Correspondent

FOURTEEN hospital schemes were yesterday chosen to go ahead under the private finance initiative in a £1.3 billion package billed by ministers as the biggest hospital building programme in the history of the NHS.

Work on the schemes, from Carlisle to Kent, is due to start over the next 18 months. But 23 other projects have been shelved in the Government's sifting of the PFI schemes it inherited.

David Johnson, chief executive of St James's hospital in Leeds, which failed to get approval for a £50 million scheme including a new paediatric wing, said: "We are extremely disappointed because we believe it would have brought important benefits for patient care and greatly-improved facilities."

The sifting of the schemes was ordered after Labour accepted that the PFI was the only way to pay for large-scale hospital building, but after it acted last month to seize central, strategic control of the programme.

Two schemes, in Norwich, and Dartford, won clearance then. Thirty-five others have since been scored on criteria of priority, state of development and suitability for the PFI approach. Twelve of these were yesterday selected.

Six further schemes in London are being assessed separately under the Government's review of healthcare in the capital.

The 14 going ahead will be financed, built and owned by private-sector consortiums and leased back to NHS trusts.

Ministers said that they were unable to say how much this would cost the service in future, but would do so once terms were finalised.

Taking the combined £1.3 billion capital costs together with the £1.2 billion boost for the NHS in 1997-98, announced in the Budget, ministers said they had secured "a £2.5 billion modernisation package" for the service. Explaining why Labour had come to terms with private finance in health care, health minister Alan Milburn said: "When there is a limited amount of public-sector capital available, as there is, it's PFI or bust."

The Government is insisting that no "clinical" services will be run by the private sector in any scheme.

Officials are wrestling with a precise definition of such services, but Mr Milburn ended some uncertainty by confirming that pathology and radiology would not be allowed to be run privately.

Health secretary Frank Dobson said that appraisal of the schemes had shown that some, which achieved low scores, had been "just about bodged together".

Successful schemes include a £40 million development at the Wellhouse trust in Barnet, north London, a £63 million redevelopment in Hereford and a £148 million scheme in Swindon.

Three schemes are near the North-east England constituencies of Mr Milburn and Tony Blair, a region Mr Dobson said had not received its fair share of investment in the past.

Unsuccessful trusts have 10 days to appeal, but then face the prospect of either bidding for limited government capital or resubmitting their PFI proposals later.

David Loughton, chief executive of the Walsgrave trust in Coventry, which has had a £142 million rebuilding scheme shelved, said: "We will get some public capital, but we will not now be looking at state-of-the-art hospital. We will have to make do with what we have got."

Chris Lincare, director of corporate development at the Central Sheffield trust, which has had a £29 million development knocked back, said: "We are disappointed, but this scheme has been around for 15 years and it will have to go ahead one way or another."

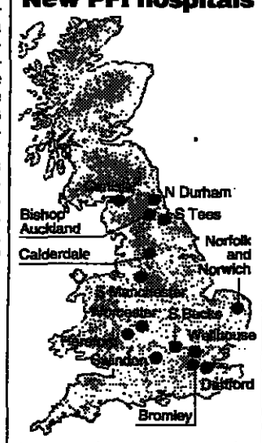
Mr Linacre estimated that £5 million had been spent preparing the development.

Mr Laughton said that his trust had spent £1.1 million on the PFI bid itself, of which about £250,000 had been on legal fees and other costs which would be written off.

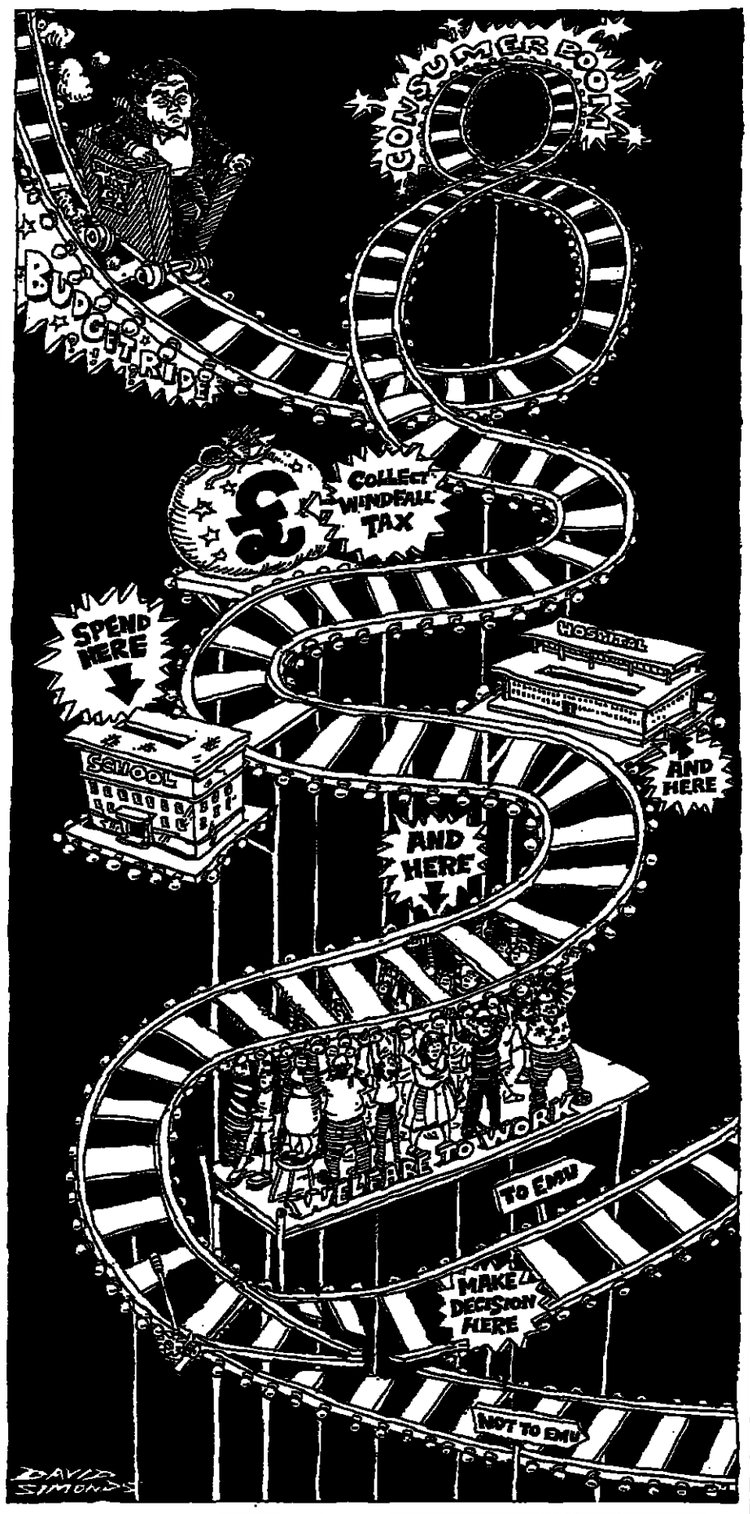
Health managers applauded the PFI progress, but warned of a hospital maintenance backlog of at least £2.4 billion.

Karen Caines, director of the Institute of Health Services Management, said: "This is a very welcome announcement, but it is only a first step in replacing some of the dilapidated buildings currently masquerading as NHS hospitals."

New PFI hospitals

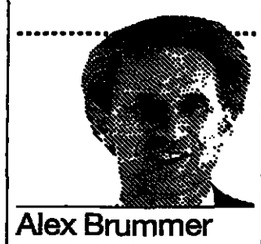


Schemes shelved in order of rating
West Middlesex
St James's, Leeds
Central Sheffield
Queen's, Nottingham
Rochdale
Gloucester
Peterborough
Papworth, Middlesex
Royal Hull
Walsgrave, Coventry
Berks and Battle
Bradford
Central Manchester
Dudley
Basildon and Thurrock
Kent and Sussex, Tunbridge Wells
Pinderfields and Pontefract
Poole
Princess Alexandra, Harlow
Royal Shrewsbury
RVI, Newcastle
Stoke Mandeville, Bucks
Royal West Sussex, Chichester



Warm reception as Brown silences the fiscal hawks

Notebook



Alex Brummer

THE Chancellor has good reason to feel buoyant about the reception the Budget has received in the City. It is axiomatic that financial analysts, who breathe orthodoxy, want more pain than less and have been disappointed by the failure to rein in consumer spending more aggressively: the consensus being that it would have been better had Gordon Brown opted for twice the amount of fiscal tightening than £2 billion.

However, this failure, together with the predicted fall-out from the change in tax relief on the dividends paid to pension funds and the windfall levy — have had the most unpredictable consequences.

Despite all the forecasts of a serious setback on the London stock market, dealers drew a sharp breath, looked at the Budget as a whole and pushed the FTSE up more than 100 points by lunchtime — a remarkable response to the first Labour Budget for a generation.

On first sight this looks bizarre. Elsewhere, the price of government bonds has taken a hammering on the expectation of a sharp increase in short-term interest rates to curb domestic demand. This has sent sterling bananas: against the German mark it has now hit the 2.95 level, its pre-ERM peak; French-bound holidaymakers can start to celebrate the return soon of 10 francs to the pound and even against the dollar — where sterling has been sticky — there has been an upward movement towards $1.70.

Clearly, these high sterling rates will be a problem for the Chancellor but not as much of a difficulty as the more excitable followers of financial markets would like to believe.

The first bit of market reaction which needs to be disentangled is that of the FTSE. Certainly, it is curious that equity markets, which normally retreat on higher interest rate prospects, should be so rudely healthy.

THERE are some complex technical reasons, relating to over-the-counter options, which may be part of the story. But the more significant factor is the rethinking of the conventional wisdom about the changes in advanced corporation tax relief for pension funds.

The National Association of Pension Funds and a few Conservative local authorities have sought to paint this as a disaster: but this response is wrongheaded. As with the removal of any tax relief, all it does is take away a distortion in the market place which changes the behaviour of the players.

For the markets to have fallen heavily on the ACT change requires people to believe pension funds will start to sell down their holdings, which roughtly constitute 30 per cent of London equity.

But one must assume that most pension fund managers — being alert to something well-telegraphed to the Norman Lamont budget of 1993 — have already adjusted their portfolios, lowering their equity holdings. Figures produced by UBS suggest that that is precisely what has happened, with overall share portfolios down from 57 per cent to 53 per cent since Mr Lamont acted.

The other possible problem has been the hit to company earnings from having to pay higher contributions: what is more likely to happen is a change in behaviour. Actuarial work done in Whitehall would seem to suggest that a great deal can be absorbed through the use of surpluses, which is a fairly positive way of dealing with what has been a sensitive issue for companies like Lucas — which used surpluses for restructuring — and in the privatised sector.

Now there is an obvious means of distributing those surpluses wisely. But as we report elsewhere the likelihood is that the change will lead to a great deal of innovation in pension fund provision along the lines of that which has taken place in the United States (through 401K schemes) which have actually contributed to broader-based shareholdings and greater public interest in equities.

THE second market issue arising from the Budget is the inter-relationship of the consumer boom, interest rates and the pound. There can be no doubt that interest rates are on the rise and this is necessary if the Bank of England is to hit its inflation target of 2.5 per cent two years out — the red and white budget book has acknowledged that next year, at least, prices will come in at 2.75 per cent.

There is an interesting point here. The operation responsibility of the Monetary Policy Committee at the Bank is to bring inflation in at the Government's target. Despite the discomfort of an over-enthusiastic domestic sector, it is not required to go beyond this — which in the Bank's view probably requires rates which peak around the level of 7 per cent to 7.25 per cent.

The City's post-budget wisdom that interest rates may have to rise to 8 per cent or more could be off the wall. The strong exchange rate for sterling is certain to have a dampening effect on prices, even if the consumer boom remains strong. Even the price of big ticket items like cars should be coming down, or steady in sterling terms.

Despite the UK and US recoveries, commodity prices remain remarkably subdued and that is likely to remain the case until German and Japanese upturns start to put pressure on demand for raw materials.

The pound's strength is one born of virtue, including a fiscal deficit which meets the Maastricht criteria, unlike many of the UK's European competitors. Sure it may be hard for the Chancellor and industry to live with — but strong exchange rate economies can be successful and stable as Germany was before its current restructuring. The Jeremiahs who rue the sterling renaissance may yet be proved wrong.

Forex dealers press on despite sterling warning

Mark Milner and Paul Murphy

THE Chancellor, Gordon Brown, appeared to be on a collision course with the foreign exchange market yesterday after dealers shrugged off his warnings about the strength of the pound.

Sterling soared above 2.95 German marks — its old central rate in the exchange rate mechanism — and move smartly higher against the dollar on the expectation of an imminent rise in interest rates.

The stock market soared to a record high despite concerns that the Budget had been too soft on consumers and unanimous advice from City strategists that British shares had peaked.

Yesterday, Mr Brown explicitly signalled his concern about sterling's 18 per cent rise in value against the currencies of Britain's trading partners and the knock on effect on British exports.

But though his remarks were taken as a warning to the foreign exchange markets and initially halted the pound's advance, it resumed its rise later in the day.

Sterling is being pushed higher by expectations that the Bank of England would increase interest rates to slow down booming consumer demand with City analysts expecting base rates to rise from the present level of 6.5 per cent by up to a full percentage point by the end of the year.

"Intervention, verbal or otherwise, may have a short term impact but in the long-term it is the interest rate differential that everyone is focusing on," said one foreign exchange trader yesterday.

"I can see sterling going to three against the mark and 10 to the French franc and it is absolutely disastrous," said Derek Westcott, the sales and managing director at Cash Bases, a Newhaven-based company which designs and makes cash boxes, mainly for overseas markets.

At the close of official trading in London the pound closed at DM2.9450, the highest since September 1991 but roared up another two pfennigs in late trading to DM2.9660 and was within a whisker of 10 French francs. Against the dollar the pound closed at $1.6840 but added another three quarters of a cent in later dealing.

Elsewhere in the City, confusion reigned as strategists, brokers and institutional investors struggled to "price in" Mr Brown's maiden Budget.

In frenetic trading shares bucked expectations, rocketting in price as the gilt-edged market slumped further.

Before trading began, analysts had been forecasting sharp falls in share prices in reaction to the decision to end the tax credit enjoyed by pension funds on the so-called dividend tax, advanced corporation tax, which in theory makes equities less attractive to institutions.

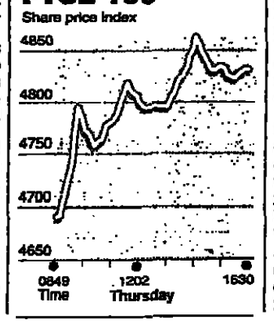
Shares initially fell 60 points, but immediately rebounded with the FTSE 100 index of top British companies surging 110 points at one stage — bursting through the 4800 level for the first time — before closing 80.3 points higher at a new peak of 4831.7.

Dealers blamed extraordinary technical forces for the surprise rise, with forced changes to the way that "over the counter" derivatives are priced forcing several big investment banks into the market to buy shares, so as to rebalance their portfolios.

The move in share prices was accompanied by persistent rumours that two major financial houses — one British, the other Swiss — had suffered losses running above £100 million as a result

The atmosphere was further charged by rampant speculation that a round of takeovers is set to flare in the banking sector.

FTSE 100
Share price index



More than a hint of farce as market goes bonkers

The City has not got a handle on new Labour. Paul Murphy reports

A SENIOR, but as yet unnamed, government minister has been quoted this week as thinking that the London stock market is "bonkers." Many City pundits agree with him. Richard Kersley, the top share-watcher at Barclay's investment banking arm, BZW, even titled his post-Budget analysis "bonkers" yesterday morning.

They think share prices should go down as the new chancellor gets his thumb screws locked on to corporate Britain, on to cash-rich pension funds, and other more blatant tax-avoiders.

Instead, share prices have gone up — in spectacular fashion — with £100 billion being added to the stockmarket since Labour was elected.

Something is clearly amiss. The explanation is straightforward: the City has not got a handle on new Labour.

Share prices have not gone up in a straight line. An old market adage says stocks always climb a wall of worry, and the London stock market has been worrying like a true professional. There have been bouts of volatility the like of which traders in the Square Mile have never witnessed. Some have got their bets wrong, and have lost shed-loads of money as a result.

The erratic course of the stock market since Mr Brown sat down on Wednesday afternoon illustrates the level of confusion. The knee-jerk reaction was to mark prices down — which triggered a wave of panic buying. City strategists, drawing half-million-pound salaries, were saying sell — so everyone bought instead.

There is more than a hint of farce to all this, with dealers and professional investors bouncing around amongst a series of rumours and bits of off-the-cuff analysis, with ever increasing violence.

Share prices "collapsed" on reports that the tax credit on advance corporation tax enjoyed by pension funds would be abolished — and then soared when £5 billion was confirmed and the ACT clawback disappeared. This sort of thing did not happen during the long Tory years.

Those who hold the power in the City are, by natural inclination, staunch Conservatives. They understood the thinking behind the economic policy set by the likes of Lawson and Clarke (Lamont was an exception), and City traders were working in a political environment where they were well equipped to second-guess policy.

Now, it seems, the money men doubt their own ability to pre-empt changing investment conditions.

They do not understand new Labour. Younger traders have never worked under anything other than a Tory administration. Older traders, those who remember previous Labour governments, routinely warn about old Labour's ways.

Throughout the election campaign they could be seen bumbling around City wine bars, declaring that, come polling day itself, the public would return to its senses and re-elect the Tories. They were wrong, and the still don't know why.

There is a glorious irony here. Desperate for power, the Labour leadership has spent much of the decade schmoozing with City figures. It worked for Labour, who are now in power and whose leadership display a well-honed knowledge of how the City works and thinks. Sadly for the City, little seems to have rubbed off the other way.

Jobs and Money

Tomorrow: How the Budget affects your pocket

Perspective

Brown backs music, film, design

Student fashion is riding high in the cultural revolution of the young that has swept Britain and is leading the world
PHOTOGRAPH: KIPPA MATTHEWS

Chancellor of youth culture

Lina Saigol

MOVE over Quentin Tarantino. The hottest new script around is Reservoir Dogs 2: The Budget — an action-packed thriller for the Millennium starring the Chancellor as, you guessed it, Mr Brown. Drenched in trend, with a soundtrack of cheering MPs, it has all the makings of a cult.

The only detractors are the City crowd, who, submerged in their own jargon, have called the script deflationary, too weak to slow the consumer boom, and the precursor of higher interest rates.

What the City hasn't understood, despite all the MBAs and bonuses, is that this Budget wasn't about a consumer boom. Labour is a culture vulture: Britain is in a cultural boom and a good part of the Budget is aimed at this.

"Britain," said Mr Brown, "is increasingly leading the world in those industries which most obviously depend on the skills and talents of their workers — communications, design, architecture, fashion, music and film."

He is right to focus on these industries. These are what young people are interested in. These are what young people are good at doing. And where young people go, the rest follow.

The jobs of the future are in the areas pinpointed by Mr Brown. Look at architecture. Sir Richard Rogers, Sir Norman Foster and Piers Gough are not only British, they are coveted by the rest of the world. The Royal Institute of British Architects 1996 *Employment and Earnings Survey* shows that employment is rising and salaries increasing. Millennium buildings are popping up all over the place. Design and related activity in the UK is worth £12 billion a year, employing more than 300,000 people, and design schools are overcrowded.

> This is a generation which doesn't want to own. It wants to be

In fashion, three Britons, all of whom were educated at the London-based college Central Saint Martin's, were recently snapped up to run *the fashion world's most illustrious houses*: Stella McCartney into Chloe, John Galliano into the house of Dior and Alexander McQueen into Givenchy. Fashion schools are no longer finishing schools. They teach future stars how to draw and equip them with business skills.

The ethereal world of art and music is increasingly touched by money. Last month, Brits scooped three prizes at the prestigious Venice Biennale. Damien Hirst has achieved fame that other young, international artists can only dream of, and sky-high fees for modern art are no longer achieved post mortem.

The music industry is one of the UK's largest sources of exports and is making strides *in the global market place. In* April, the Spice Girls became the first UK act to reach number one in the United States with a debut album, and Oasis are synonymous with the future sound of cool.

As for film, the Chancellor paid special attention to this industry, determined to strengthen the position of British talent and help them up the first rung of his "ladder of opportunity". The Conservatives allocated the arts to the élite. But Labour, like Jack Lang in President Mitterand's 1985 government, has declared culture a priority, with the aim of decentralising *the arts* and breaking down the differences between social classes.

Unlike previous governments, Labour does not sound like a square parent trying to be hip and in tune with its kids. Baroness Thatcher lectured *us on home ownership* and the importance of landing a job as a lawyer, doctor, accountant, civil servant or management consultant.

But this generation does not want to slave away night and day through their twenties to finance the mortgage. Nor does it want to forego back-packing in India to fix the leaky roof, or think twice about making a long-distance phone call.

This is a generation which doesn't want to own. It wants to be. We get a kick out of having an innovative and challenging career, and we want the disposable income to have fun with our friends. But to get to this stage, we need to be provided with the education opportunities which will get us out of the "bright classrooms" and into a bright life.

This is a lost generation. We train to be lawyers and switch into architecture. We start off wanting to be journalists and then become *bankers*.

Retraining is important. Mr Brown struck a chord when he spoke repeatedly about the importance of knowledge and creativity.

Like teenagers playing their favourite record over and over, this is what we wanted to hear: that our talents and potential are Britain's only one truly national resource and that with a little help from our Labour friends, we might just get where we want to go.

The Conservatives, with all their back-to-basics, made us feel as if our lives were one long existential nightmare, *like fishing in a bath tub*.

Labour has at least pulled out the plug, albeit temporarily, so that we can get back on our feet and get on with our lives.

Retail sales

Spending spree leaves Bank little choice

- Shoppers spring surprise on CBI
- City's rate rise fears reinforced

CONSUMERS shrugged off the June showers and delivered a bumper month to retailers, underlining City fears that yesterday's Budget will have to be bolstered by higher interest rates to slow the economy.

Unveiling its latest survey *of retail activity yesterday*, the Confederation of British Industry said that shops had been surprised by stronger-than-expected trading.

Fifty-eight per cent of outlets in the CBI's Distributive Trades Survey of 15,000 outlets said June sales were up on the same month last year, against 19 per cent reporting a drop in volumes. The three-monthly average level of sales *rose at its fastest rate this* year, indicating an acceleration in the pace of sales growth, the CBI said.

Analysts said the upbeat data suggested consumers had used their windfalls from the Halifax flotation to fund a shopping spree, and predicted a retaliatory monetary squeeze from the Bank of England.

"There seems little reason *for the Bank of England to* hang about," said Richard Iley, UK economist at brokers Hoare Govett. He said base rates could jump by half a point when the monetary policy committee meets next week.

"For all the rhetoric in the budget about rebalancing the economy, the tax rises on the consumer were pretty derisory."

Mr Iley said the task of putting the brakes on had been left to Threadneedle Street. "Mr Brown is putting his hands up and saying it's all *up to the Bank now*."

But industry is warning that putting up interest rates from the present 6.5 per cent level could send the pound even higher on the foreign exchange, further eroding export competiveness and killing off hopes of an investment boom. With continued brisk activity on the consumer side, this could deepen the divide between the two sides of the economy.

The CBI said retailers expect strong spending to continue throughout the rest of year, led by housing-related purchases such as furniture and carpets, durable household goods, china and DIY products.

Sales by booksellers, an indicator of demand for non-essential items, were up sharply in June. Upmarket *food stores also reported* brisk trade.

Alastair Eperon, chairman of the CBI's Distributive Trades Survey Panel, said: "If sales growth in July keeps pace with expectation, business is expected to remain well above average. At first glance, the Budget measures seem unlikely to upset these expectations."

Pencilling in strong July *sales and anticipating a sharp* rundown of backroom stock, retailers increased their orders with suppliers, the CBI said. This should give a leg up to wholesalers, who reported a quiet June.

Motor traders, however, saw many more customers on the forecourt and healthy sales of vehicles, against expectations of a sluggish month, the CBI said.

Richard Thomas

City trading

Share dealers count the cost

CITY share dealers and investment bankers were yesterday counting *the cost of a technical tax* change in the Budget that will cost them £500 million over the next four years.

The rule change applies to any firm which holds shares as a trading asset rather than as an investment. The crucial difference between the two types of holding is that where shares are held as a trading asset any disposals are taxed as a trading profit rather than *as a capital gain*.

At least one big bank is believed to have halted trading on its own account while the effects of the tax change are calculated and several are understood to be facing quite *substantial losses*.

The move ends the tax exemptions of dividends on shares held for trading purposes. From midnight on Wednesday those dividends were fully taxed. Until then banks could hold shares and get the tax exemption on the *dividend but then sell on the* benefit of the dividend to a client which did not qualify for the tax break — like a foreign investor or offshore fund. The bank would profit to the extent of the tax exemption. Without it much of this business, which has recently been aggressively promoted by City firms, will cease because it will simply be unprofitable.

Some banks have also been selling complex options and derivatives which rely on the tax break for their profitability. They could now become a liability. The Inland Revenue said: "If you wrote a derivative on the back of the old tax system, then it could now be unprofitable. But basing a product on a specific tax arrangement is always a risk."

Julia Finch

OfficeStation 97 Multimedia PC

Buy With Confidence From Time

UK's Leading PC Supplier

Full Service And Support

Interest Free Credit

Money Back Guarantee

Choose Direct Or Retail

Time Showroom Locations 31

Time Computers offer another amazing multimedia PC deal for home and business users which comes complete with a fast i166 processor, massive 32Mb RAM memory, the latest Microsoft® Office 97 software bundle and a FREE 33.6 voice modem all an amazing £899 +VAT

£899 +VAT

£1056.33 Inc VAT

OfficeStation 97

- 166+ processor manufactured by IBM or alternatively Intel® 166MHz Pentium processor with MMX™ technology (£129 + VAT = £151.58 extra)
- 32Mb EDO RAM
- 2.1Gb EIDE hard disk
- 16 MAX CD-ROM drive
- 64-bit Graphics using upto 2Mb system RAM
- 14" SVGA NI 0.28dp screen (15" £99 +VAT = £81.08 extra)
- Stereo 16-bit sound and stereo speakers
- 256k Pipeline burst cache
- MPEG Facility for MPEG movies on video
- 7 Bay Colossus mid-tower system unit
- Microsoft® Office 97 Small business bundle (UK version with full printed manuals and CDs)
- FREE Additional preloaded software (limited offer)
- FREE 33.6 voice modem pack (first 1,500 orders only)
- All Standard Features including 105 keyboard, PS/2 mouse, Windows 95 with manuals and CD, 1.44Mb floppy drive, advance2 future-proof motherboard, year 2000 compliant with chip upgradeability to Pentium 233MHz MMX, parallel port, 2 serial ports, joystick port and 1 year warranty extendable to 5 years, 80 minutes video user guide, £75 off Pelman computer training course, 14 Day Limited Money Back Guarantee (excludes carriage costs).

Product codes. 166+ 14" 001-30-862. 166MMX 14" 001-30-864 166+ 15" 001-30-863. 166MMX 15" 001-30-865

Microsoft Office 97 Bundle includes

The Best Office 97 Bundle Deal!

166+ or 166MMX Choice Of Processor

32Mb EDO RAM

Microsoft Office97

33.6 Voice Modem

Printer Option

FREE Software

FREE 33.6 Voice Modem

Leisure/Educational Bundle Upgrade

BUY NOW... PAY LATER Interest Free Credit

0% Interest Free Credit

Offer Must End 12th July

01282 777 111

TIME

Lines Open: Monday - Friday 8.30am-7.00pm, Saturday 9.00am - 5.00pm

Granville House, Blackburn Rd, Simonstone, Burnley, Lancashire, BB12 7GT

Fleet Street's verdict

Good Gord, what a performance

BROWNMANIA swept the national press yesterday, with almost universal acclaim for the first Labour Budget in 18 years.

Headline writers, caught up in the wave of euphoria surrounding Tim Henman's Wimbledon exploits, could not resist comparisons with *Chancellor Gordon Brown*.

The Mirror, picturing the day's two heroes, gleefully proclaimed: "Game, set and match to the people's champions."

Describing it as a stunning package, the Mirror went on to make some excruciating puns — referring to the VAT reductions as the "Fuel gord factor".

The paper's leader writer was unequivocal: "This was, quite simply, a brilliant Budget . . . It set out the vision for the new welfare state in the 21st Century. It was great Gordon."

Labour's new convert — styled The Wimble Sun for the day — was anxious not to be outdone, calling it the best Budget in years.

Under the headline "Spice One Gord", its front page picture showed Mr Brown's head superimposed on the body of Ginger Spice. "New Chancellor Gordon Brown gave Britain what it really, really wanted — a Budget that was popular but painless. Mr Brown became Dosh Spice as he announced billions for schools, hospi*tal and job training* schemes," it gushed.

The unbridled enthusiasm was not confined to the tabloids. A front page cartoon by Peter Brookes in the Times depicted a fast-serving Mr Brown, wearing a Brownmania T-shirt.

Anatole Kaletsky, its economic pundit, raised three cheers: "Well done, Gordon. This was the phrase that kept ringing through my head as I watched the Chancellor present the *most moderate*, articulately presented and well-intentioned Budget in living memory."

The Times' editorial agreed: "This Budget should be popular. It deserves to be."

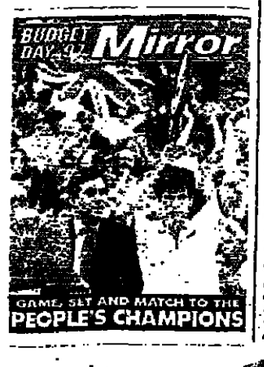
Over at the traditionally Tory-supporting *Express*, there was some rare praise for William Hague for warning of the dangers to pensioners from axing corporate tax credits.

But it added: "None of the *measures* he announced is really likely to frighten the horses — or rather the Mondeos of Mondeo Man."

The Daily Mail, which highlighted Mr Brown's welfare-to-work plans on page one, said Mr Brown had got down to business in fine style. "His next Budget may be less benign. This one didn't soak the rich, didn't bash business. Truly there is *something* Tory about this first Labour Budget for a generation."

The rave reviews did not extend to the Financial Times — which accused Mr Brown of being made of "malleable stuff" and warned of an overheating economy — and the Daily Telegraph, which accused him of muddle and fudge.

Andrew Culf



هكذا من الاصل

هكذا من الاصل

Taxation

A 30-year-old putting £100 a month into a new style fund will have to increase premiums by £20 to stand still. **Richard Miles** reports

Old style retirement schemes to be pensioned off

ABOLITION of the 20 per cent tax credit on dividends will hasten the demise of final salary pension schemes, industry experts claimed yesterday as they began to count the cost of the Chancellor's most controversial Budget measure.

Employers will bear the brunt of the abolition of advance corporation tax credits on behalf of the 10 million employees in final salary schemes, in which members are guaranteed a pension income linked to their length of service and pay, rather than to stock market investment returns. Pension experts dismissed Gordon Brown's suggestion that employers could use the surpluses on their funds to make up for an annual bill estimated at between £5 billion and £10 billion as "nonsense" and "an insult to their intelligence".

Only half of the nation's final salary schemes are in surplus, according to the National Association of Pension Funds.

Faced with these extra costs, coming so quickly after a sharp rise in pension fund expenses from the costs associated with implementation of the 1995 Pensions Act, an increasing number of employers will be driven to switch to money purchase schemes, where individual members bear the investment risk, the pensions experts claim.

Money purchase schemes sever the link between pay and pensions, and require employees to build up their own pension pot.

The NAPF estimates that just 750,000 people now belong to money purchase schemes — sometimes known as defined contribution plans — against more than 10 million in final salary schemes.

WH Smith, the retailer, and Legal & General, the insurance company, are among the big names to have introduced this type of pension for new recruits, a lead many more companies are expected to follow.

"This will definitely accelerate the end of final salary," says Philip Beale of Flemings, the investment bank.

US employers have already gone down this path, swapping pay-linked pensions for money purchase schemes, known as 401Ks.

Workers have pumped billions of dollars through 401Ks into mutual funds — the US equivalent of unit trusts — helping to keep Wall Street rising.

The schemes have also been widely used by people to invest in their employer's own shares.

The British attempt to replicate 401Ks, group personal pensions, has not met with the same success.

In Britain, members of money purchase schemes, as well as the 5 million people with personal pensions, will themselves have to pick up the tab of the Chancellor's decision to scrap the tax credit, notwithstanding claims that its abolition would be a victimless tax increase.

Someone aged 30 contributing £100 each month to a personal pension will have to increase premiums by £20 just to stand still, according to figures compiled by telephone-based provider PensionStore.

Leading insurer Standard Life says that the measure effectively imposes a 0.75 per cent annual management charge on pensions.

The £5.25 billion windfall tax on the privatised utilities is also likely to dent workers' retirement savings, as pension funds are big investors in this sector.

On the basis of average share ownership, chartered accountant Chantrey Vellacott reckons the pensions industry will pick up £1.3 billion of the windfall tax, resulting in a one-off hit of as much as £70 per person.

Pension fund managers are also likely to revise their portfolio of investments following the abolition of ACT credits, since the yield on equities effectively falls from 3.5 per cent to about 2.9 per cent, according to Philip Beale of Flemings.

He forecasts a movement into domestic property and overseas equities to obtain higher yields, while pension funds with solvency problems may be tempted to shift more money into cash and bonds, though this will create problems in later years.

But tax experts believe the end of the credit will not depress the overall long term performance of shares, though the industrial sector may take a knock.

This is despite gloomy forecasts that the change will cost pension funds £10 billion per annum for the next five years and £2 billion thereafter.

This is because the loss of the credit has partly been offset by a cut in corporation tax from 33 per cent to 31 per cent, its lowest-ever rate.

Longer wait for bigger pay-out

Sarah Ryle and Richard Miles

VICTIMS of the personal pensions mis-selling scandal will receive bigger payouts as a result of the Chancellor's decision to scrap tax credits for pension funds — but they may have to wait longer for compensation.

The £2 billion price put on the mis-selling fiasco is set to rise significantly following the abolition of the dividend tax credit, worth 20 per cent to pension funds, life insurers admitted last night.

The Personal Investment Authority, the City watchdog responsible for the review of mis-sold personal pensions, said it was considering issuing emergency guidance to ensure companies met the tight deadlines laid down last month by Helen Liddell, the Economic Secretary.

Delays are likely because the method of calculating redress for the 570,000 victims must be changed in the light of Gordon Brown's tax bombshell on pension funds. The average payout of £8,000 could now rise to as much as £9,700, insurers said yesterday.

This is because most members of occupational pension schemes will be insulated against the tax change as their employers will absorb the cost, but personal pension holders will feel the full force of the tax credit's abolition immediately. This will increase the loss victims have sustained as a result of leaving occupational schemes.

The Association of British Insurers stressed its disappointment with the Budget and acknowledged the potential implications for victims of mis-selling. "Certainly, one of the things that this could mean is more compensation," said a spokesman.

Pearl Assurance, one of the leading life companies with 39,500 priority cases, will be one of the hardest hit. A spokesman said the company was committed to returning victims to their occupational scheme in the time frame set down by the Government.

Royal & Sun Alliance has a total of up to 13,000 priority cases. The company said: "It is possible that the cost of compensation will rise. We are going to have to look at how much more money it could cost to get people up to the level they would have been at if they had stayed with an occupational scheme. The detail will take longer."

Norwich Union said: "The logic is right that the investment return will be different as a result of the abolition of ACT and we would expect the regulator to be looking at this issue very quickly. The revised calculations may show increased costs."

This unexpected side effect of Gordon Brown's decision to abolish the tax dividend will be a serious embarrassment to the Government. Only last week Ms Liddell attempted to shame two of the biggest culprits, Legal & General and Sedgwick, into speedier action by publicly reprimanding them.

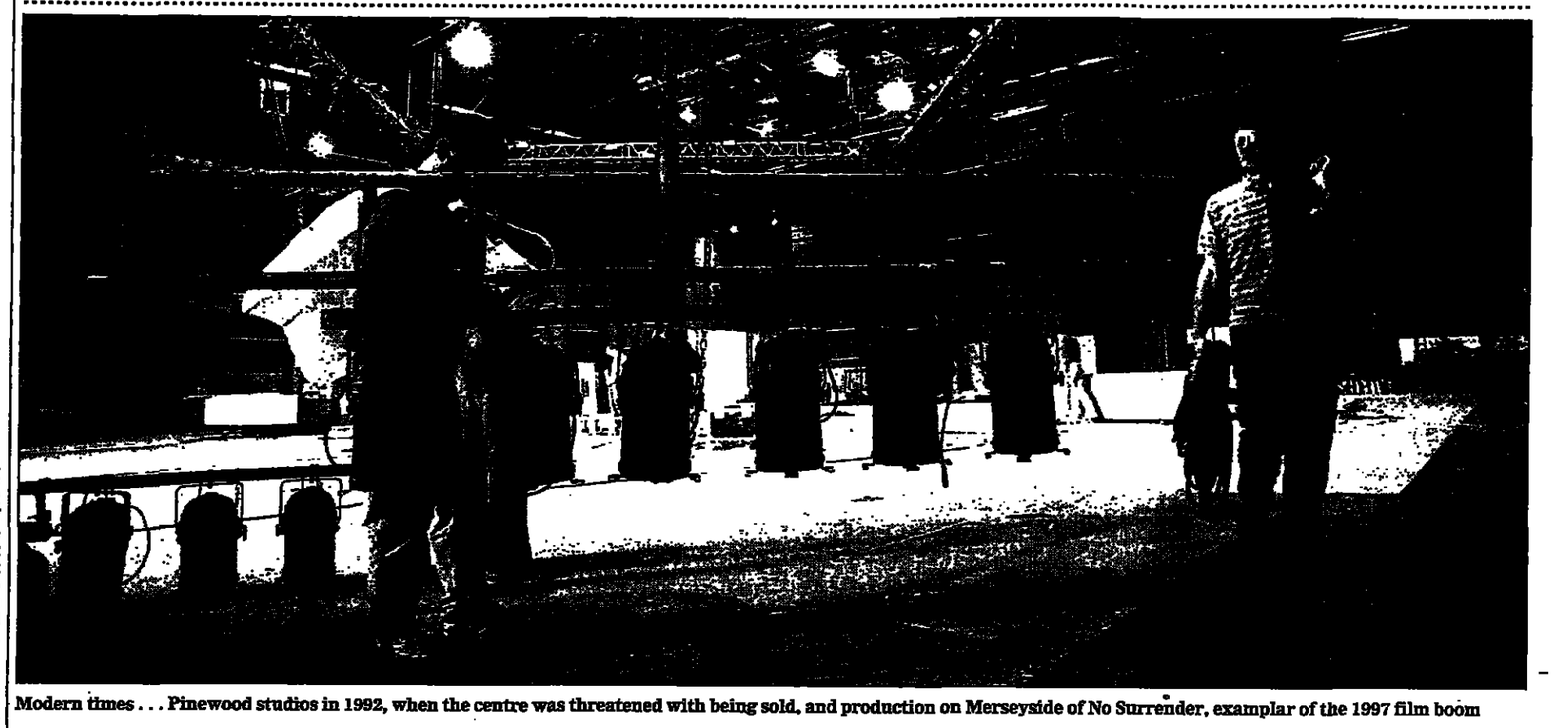
Although the mis-selling of personal pensions was uncovered three years ago, fewer than 2 per cent of victims have received redress. Insurers have blamed the delay on the sluggish response of occupational pension schemes.

Life insurers also warned the Government that it would have to shell out a further £300 million in rebates to ensure people continue to opt out of the State Earnings Related Pension Scheme, the second-tier statutory pension, following the abolition of the tax credit.

Scottish Equitable said yesterday that some people who have left Serps for a personal pension might now be worse off. The company calculates that rebates for a 30-year-old man would have to rise from 4.2 per cent of earnings to 5.05 per cent, an increase of just over 20 per cent.

The Government may delay an increase in Serps rebates until Frank Field, the Minister for Welfare Reform, completes his review. He is believed to be working on plans to turn Serps into a funded scheme, along with compulsory pensions for all.

Film-makers



Modern times . . . Pinewood studios in 1992, when the centre was threatened with being sold, and production on Merseyside of No Surrender, examplar of the 1997 film boom

After years of saying cut suddenly everybody is talking action

- Native talent wins unexpected reward
- Measures draw on 'Irish model'

IN A Budget short on surprises, it was the big surprise. Gordon Brown made a special cause of the glitzy world of the movies, with a 100 per cent tax write-off on acquisition and production bills.

It seems an incongruous decision given the other demands for the Government's money, but closer examination reveals that it fulfils the Chancellor's criteria: it is financially canny and politically populist.

"Even the tabloids were in favour," said Wilf Stevenson, departing British Film Institute director. "There were none of the grudging 'luvvie' headlines you might have expected. Anything can be done now."

The measures, which are designed to encourage British film-makers, will benefit projects with budgets of up to £15 million. Although that would not buy much of a Hollywood blockbuster, by British standards it is a considerable sum.

But why has it happened now? Part of the answer lies with the success of British film, whether it be films made with British money, of which there are few, or films using British talent, in front of and behind the camera.

"If you are going to run the line about native talent, that we have the best technicians, the best actors, the best directors, then film-making is something we are very good at," Mr Stevenson said. "We do win a lot of Oscars and we are very successful."

Recent examples include headline-grabbing hits Four Weddings And A Funeral and Trainspotting, and quieter ones such as The Madness Of King George.

The resurgence of British talent has brought in its train a resurgence of British studios: Steven Spielberg and George Lucas are both making films in Britain, James Bond is embarking on yet another adventure in a British studio and the Spice Girls are threatening to provide the film industry with the sort of boost they have delivered to the music industry.

A second reason for the success is that political pressure from the industry had reached a critical point. "Although we had won all the arguments, you need political will. The pressure not to give special consideration to anyone was very strong, so it needed a strong argument to push this through," Mr Stevenson said. In previous years, although the Department of National Heritage may have been convinced of the need for intervention in the film industry, the Treasury was not.

"You make the arguments so often to ministers and civil servants that you understand the answers they are going to give you," Mr Stevenson recalled. "That made it very easy because we knew what the new government was going to say. We were asking for the same thing for seven years but this time we were able to give them a solution."

The solution was provided by last year's Middleton report, the product of the Advisory Committee on Film Finance. The committe under Sir Peter Middleton was set up to identify any obstacles to attracting private-sector investment in British films. It recommended the 100 per cent tax write-off, arguing that it would have an immediate impact on investment.

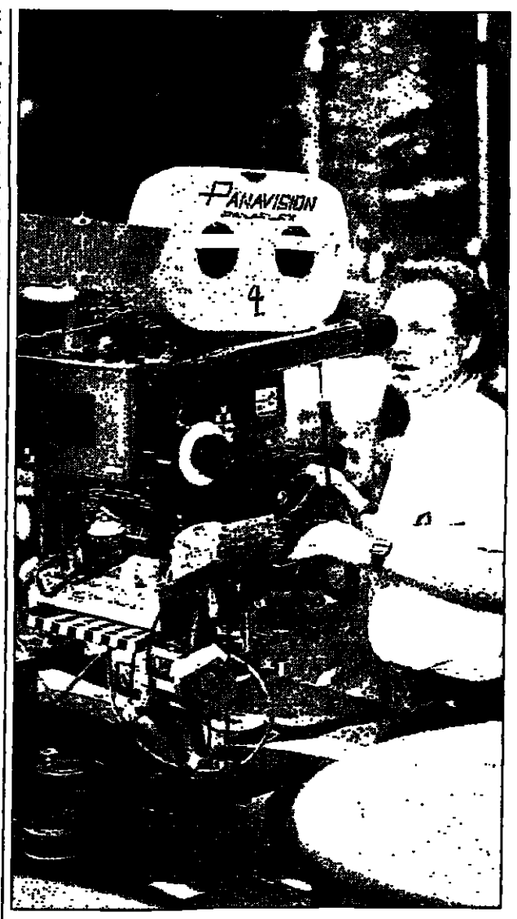
Another encouragement for the Government was the "Irish model". The Irish government offers attractive tax breaks to film-makers, which explains the recent presence of figures such as Marlon Brando in Ireland, and the filming of notionally British tales such as Braveheart. "We can now say there's no need to go to Ireland, you can stay here," Mr Stevenson said. "It seemed crazy that the only other English-speaking territory in Europe was offering tax breaks we couldn't match and taking all the business."

Andrew Curtis of the New Producers' Alliance, which has 1,100 members, points to the importance of matching investment incentives with investment in skills. In the same way that the National Lottery has been criticised for producing gleaming places of culture but not providing anything to put inside them, so the danger with the incentives is that UK film production will overheat.

Adding in the recent lottery film franchises, there are likely to be at least 40 extra British films per year. Distribution and scriptwriting are areas that will need attention if the new film-making formulas are to work.

"It's great to have incentives, but it has to be combined with the education and training," Mr Curtis said. "The best films are the ones with the best scripts. Without that, with the best will in the world, we're going to make bad films."

Dan Glaister



Son of Tessa

New savings plans could be popular in name only

- Help for savers on low incomes
- Charities warn on windfalls

THE Treasury will have to offer substantial new tax reliefs if its savings plans "for the people" are to do more than create windfalls for the well-off, financial institutions and charities warned yesterday.

Without a tax break through the pay packet, the new individual savings accounts make little difference to people living on the breadline, commentators warned yesterday.

Low Pay Unit director Bharti Patel claimed that financial institutions had already turned their backs on Britain's poorer families, offering them less choice and poorer value for their savings than better-off customers.

She said 20 per cent of adults had no bank account and were completely excluded by the financial community.

Ms Patel said: "These people are already struggling to get by from day to day. They have no pensions and face poverty in old age. They need a decent minimum wage and employment opportunities under the Government's welfare-to-work scheme. Then they may be able to save."

Small savers have traditionally been heavily penalised through charges which can eat away most of the savings they are able to make.

Worldly wise

Household saving rates

	Estimates % 1997
United States	5.2
Japan	11.5
Germany	11.3
France	12.6
Italy	12.6
United Kingdom	9.8
Canada	6.1
Austria	11.4
Belgium	16.5

This has been a particular problem with pension contributions, where management fees have proved an insurmountable obstacle to pension planning for those who can only afford small contributions.

In Wednesday's Budget, Gordon Brown promised that from 1999 the new savings scheme would help those on low incomes save for their long-term future, by combining tax reliefs on a range of investment options — up to an overall ceiling.

With the welfare state rolled back, individuals will be required to shoulder a greater share of the burden of their own financial security. Yet half the adult British population has savings of less than £300.

The poorest 50 per cent owns barely 7 per cent of the nation's wealth.

The £28 billion invested in personal equity plans since their introduction by Nigel Lawson in 1987, has enabled 2.5 million well-off investors to shelter from higher rates of tax.

Deposit-based Tessas proved more successful at capturing savers' imagination, enabling the earliest subscribers to pick up tax-free windfalls of more than £12,000 when the first plans matured in 1996. They have attracted 4.5 million savers.

The Institute of Fiscal Studies reported that only 1 per cent of lone parents had a Tessa, while half of all Tessas were in the hands of home owners.

The IFS sees the new scheme as doomed to fail if it offers incentives to account holders to leave money locked on deposit for five years or more.

A spokesman said: "Tying up money is particularly inappropriate for people on low incomes who are vulnerable to insecurity. They need to be able to get hold of their money at short notice."

The Building Societies Association said the new account would have few attractions if it merely allowed savings to be sheltered from a potential 10p tax band.

Abbey National savings director Charles Pinder said: "The Government needs to target substantial tax relief to lower income families through their pay packets; then these new accounts could become a huge phenomenon."

Teresa Hunter

ADVERTISEMENT

Don't miss out on the next Building Society Windfall

Millions of lucky investors have already received an estimated *£28 Billion* in FREE 'windfall' shares and cash as a result of their Building Society converting through takeover or stockmarket flotation.

Yet, so far, *only seven* Building Societies have been taken over or floated on the stockmarket – *that leaves a further 70 Building Societies which have not yet converted.*

A new guide, *The Building Society Windfall Guide*, reveals which of these societies are still accepting new members, the minimum amount you need to open an account, where and how you can contact them and which ones seem most likely to convert next.

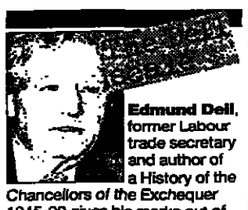
You can still join many of these 'unconverted' Building Societies, often for a very small investment, and when if they convert claim FREE shares or cash. What is more, your investment is perfectly safe and can earn interest in the meantime. Think about it, for an investment of just £100 you could have received *free shares* worth £1,500.

You can order *The Building Society Windfall Guide* for just £15 by simply telephoning **01206 825 600** quoting Dept. WSC45. Please have your credit card ready. Allow up to 14 days for delivery. You may return the guide any time within 3 months for a refund if not satisfied.

24 HOUR TELEPHONE ORDER LINE 01206 825 600 (REF: WSC 45)

Analysis

A bet we can only just afford to place



Edmund Dell, former Labour trade secretary and author of a History of the Chancellors of the Exchequer 1945-90 gives his marks out of five for Gordon Brown's Budget:

Economic prudence ★★★☆☆
Political appeal ★★★★☆
Economic aftermath ?

GORDON BROWN rose to deliver the first budget of this new Parliament with a combination of advantages enjoyed by none of his Labour predecessors. He has not inherited a crisis, as did Dalton in 1945, Callaghan in 1964, and Healey in 1974. He has behind him an immense majority, greater even than *Labour had in 1945.*

Like all Chancellors, Mr Brown brings to his office convictions about how to improve economic performance. Labour Chancellors, certainly, have never confined themselves to pulling on the levers of fiscal and monetary policy.

In 1945 the secret of improved economic performance lay in planning — but Attlee's government was dogged by a two-year cycle of debilitating crises in spite of it. In 1964 the secret lay in a combination of incomes policy and planning: thus the short-lived Department of Economic Affairs. By 1974 the secret lay in a new industrial policy which would eschew the salvation of lame ducks — but it could never have been intended to stimulate growth, because the resources put into it were negligible.

It is obviously Brown's view that previous Chancellors, Labour as well as Conservative, have failed. Britain has remained unprepared.

In 1997, the secret of better economic performance lies in education and training in an environment of stability. If this lacks the imaginative sweep of previous Labour programmes, it at least wins a prize for modesty.

STABILITY is hard to achieve, especially in a global economy. Sterling has appreciated greatly over the last few months, and keeping it stable in relation to the currencies of our major trading partners can be a problem.

It has been argued that higher taxes will help to bring the exchange rate down, because it will take pressure off interest rates. The market may think otherwise. If higher taxes reduce the PSBR, that may be taken as a favourable sign and sterling may continue to appreciate at *a cost to stability.*

Chancellors are no better at forecasting market reaction than are foreign exchange dealers. Tax rises have to be justified on their direct merits, not by speculation as to the effect on the exchange rate. Brown took pleasure in announcing a reduced level of borrowing. Indeed, it needed to be reduced. That required increased taxation. Among the possible sources of increased revenue, he has selected the least painful.

But forecasts of the PSBR — which is the difference between two very large figures, i.e. revenue and expenditure — are very uncertain.

The search for stability might have suggested to Brown measures that would have produced a greater reduction in the forecast PSBR. He might also have *selected methods which acted* more directly on the consumer boom.

This is not a risk-averse budget such as a Chancellor with a majority of 180 behind him might have introduced. Rather, it is a forecaster's budget with all the risks attached to economic forecasts.

It might work. Interest rates might eventually come down, and bring sterling down with them. Investment might thereby be encouraged.

No Chancellor can command success. But more might have been done to deserve it.

The pressure groups are watching like hawks uncertain how soon to proclaim their disappointment. There has been pressure on the Government to abandon its pledge to stick to the previous government's expenditure targets for the next two years.

It may have been unwise to make the pledge. But it was made. The market may well notice that, in apparent contradiction of the pledge, expenditure on education and the NHS is to be increased out of the contingency reserve.

THE ADDITIONAL expenditure can easily be justified. But the market is a sensitive beast. If a Chancellor can be pushed once, can he be pushed again?

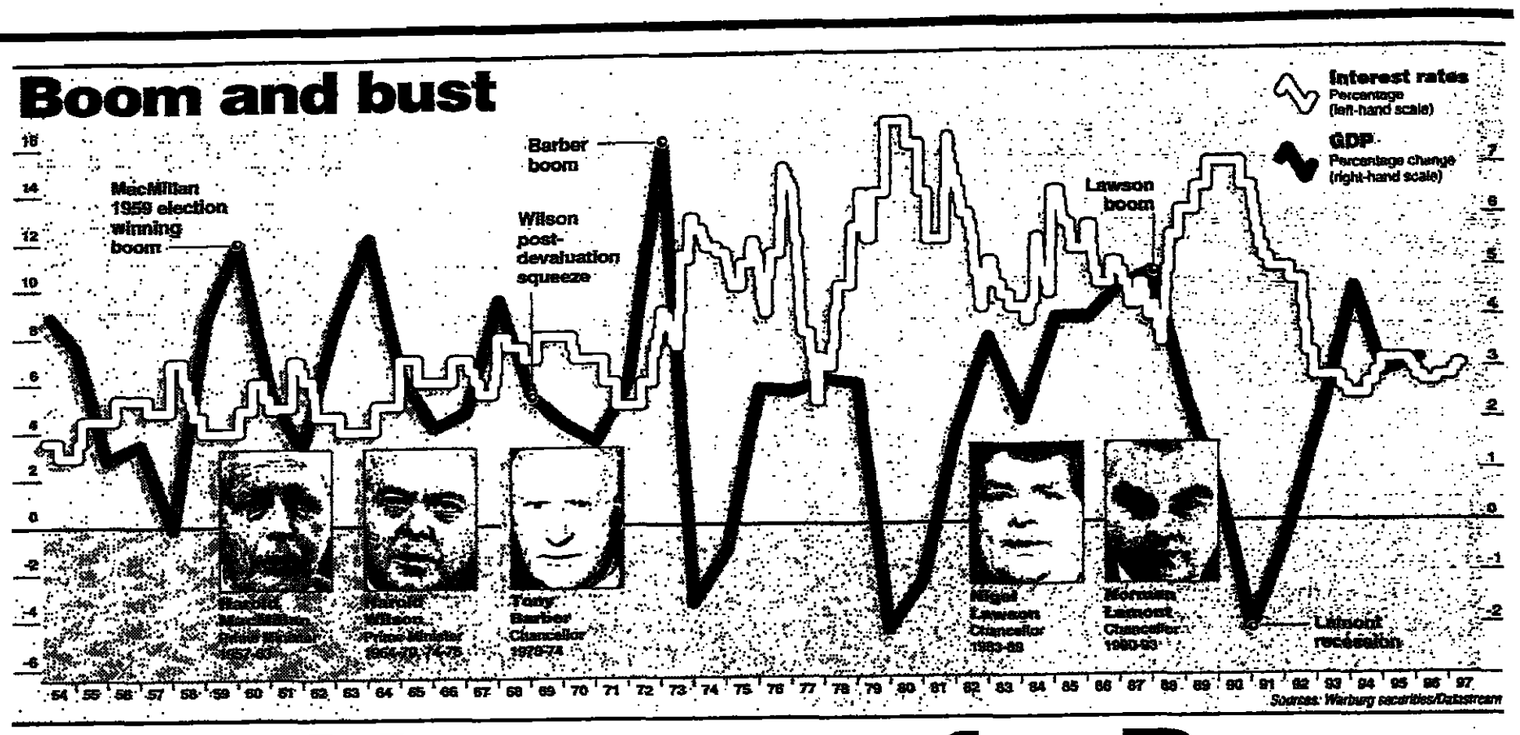
Gordon Brown arrived at the Treasury apparently better prepared than any of his Labour predecessors. He equipped himself with something more valuable than advice — an independent central bank.

The "operationally" independent Bank of England will be watching and will no doubt seek to act in the interests of stability. That could mean interest rate increases as well as reductions.

But there are disadvantages in the central bank being only "operationally" independent. Inflation could rise to 3.5 per cent without the government's target being breached. A fully independent central bank would have imposed on itself a firmer discipline. So Brown's dramatic move does not assure him the stability that it might have done.

I hope for the best. I pray for the success of this new government after all these years. But I could have wished for a surer beginning.

Edmund Dell



Breathing space for Brown

Larry Elliott

GORDON Brown's Budget effectively marks the end of the beginning for the Government. An up-tempo overture that began with independence for the Bank of England has ended with an attempt to rebalance the economy and to lay the foundations for a modernised welfare state. Labour MPs can now go away on holiday and contemplate just how wonderful life can be when you are in power.

To be sure, Mr Brown gave them things to be happy about. His was self-evidently not a Conservative Budget; indeed, the increases in stamp duty for high-priced houses was positively Old Labour.

The supply-side measures aimed at ending the curse of long-term unemployment were long overdue, and the bleatings from the pension industry about the loss of tax relief on dividends should not obscure the way the move has removed a tax distortion that militates against investment.

That said, when Mr Blair's merry band returns from Tuscany, the Dordogne and the Scottish glens things may look a little different. There are two obvious problems ahead. The Chancellor has won himself a bit of a breathing space on public spending as a result of his sensible £2.4 billion dip into next year's contingency reserve, but no more. And, as far as monetary policy is concerned, he may come to regret the haste with which he gave *Bank Governor Eddie George* freedom to set base rates.

Mr Brown said yesterday that "in his opinion" enough had been done in the Budget to rebalance the economy, but it is no longer the Chancellor's opinion that really matters. Most City commentators believe that the Bank will push up rates next week, which would be the equivalent of sticking two fingers up to Mr Brown after his tough words in the Budget on inflation. For that reason, Mr George may wait until August.

The Chancellor will hardly be in a position to complain if the Governor takes his task of controlling inflation seriously. He has made it clear that Britain cannot afford a return to the boom-bust cycles of the past and has handed the Bank the interest-rate weapon to prevent a reoccurrence.

Tucked away in the Financial Statement and Budget Report — the red and white book, as it's now called — was an interesting disquisition on the output gap. This boils down to whether the economy is working at capacity.

Mr Brown believes that when the economy is running at full capacity it can chug along at 2.25 per cent a year without inflation picking up. Anything above that and there is a risk that price pressures will start to become evident and put at risk his 2.5 per cent inflation target. The Treasury said this week: "The evidence overall suggests that the output gap is now close to zero. But there is a significant risk that output could already be above its trend level".

The problem for the Government is that consumer spending is growing strongly and acting as the locomotive for the whole economy. Growth is expected to be 3.25 per cent this year and 2.5 per cent next, both above the 2.25 per cent at which inflation would be expected to remain stable. That looks like an invitation to the Bank to raise rates, and one that it will surely seize. The risks are that both consumer spending and overall growth will be somewhat stronger in the *short term than the Treasury* is anticipating.

Spending looks equally tricky. It was always apparent that Kenneth Clarke had prepared a poisoned chalice for Labour when he drew up last year's Budget, and many Labour supporters were aghast when Mr Brown showed a willingness during the election campaign to drink the draught. Wednesday's rabbit out of the hat was to find an extra £1.2 billion for the NHS and £1 billion for education.

But a longer-term problem persists. Just as a one-off bonus to a worker is no substitute for an annual pay increase, so money from the contingency reserve merely rolls over funding problems *in the public sector* to another year.

If this wasn't bad enough, the measure of inflation used to calculate real increases in public spending is now forecast to be 2.75 per cent next year and the year after compared to 2 per cent at the time of the 1996 Budget.

What does this mean? Well, last November Mr Clarke said the Control Total for public spending would rise by £7.5 billion to £274 billion in 1998-99, an increase of 2.8 per cent in cash terms. Assuming 2 per cent inflation, that left a *real increase in spending of* around 0.75 per cent. That was considered to be a tight settlement, but not as tight as it looks now, because with a GDP deflator of 2.75 per cent the control total will be flat.

Frankly, the figures look politically unrealistic. Suicidally so, in fact

Now consider the NHS. This was slated to rise fractionally next year, by around 0.3 per cent in real terms, but would actually have fallen by the same amount as a result of higher inflation unless Mr Brown had stepped in.

The extra money from the reserve ensures a real terms increase of 2.5 per cent in 1998-99, but this is really only a piece of sticking plaster. It will not raise the baseline figure for NHS spending, so that on present plans the health service is looking at a 3 per cent *cut* in its budget in 1999-2000.

Calculations by the Institute for Fiscal Studies show that Labour's plans for public *spending are far more stringent* than anything the Conservatives managed in their 18 years in power.

Spending grew by almost 2 per cent a year under Margaret Thatcher and John Major; Labour's plans suggest that it will be spending a lot less than that, even on the most generous of the three scenarios outlined by the Treasury this week.

The IFS estimates that if the Conservatives had won the election and carried on at their customary rate, public spending would be up to £35 billion higher at the end of this Parliament than under Labour.

Frankly, these figures look politically unrealistic. Suicidally so, in fact. Of course, a period of strong non-inflationary growth would help to square the circle. But it will take time before Mr Brown's *welfare-to-work programme* starts to have any impact on the trend rate of growth. Meantime, he will have to trust his judgment and hope that his luck is in.

Consumer ups and downs . . . Gateshead's MetroCentre acts as a locomotive for the economy PHOTOGRAPH: DON McPHEE

Corporate taxation

Overseas earners hit

- Blue-chip firms' shares dive
- Threat to drop listings in UK

SHARES in blue-chip companies with big overseas earnings — but little UK earnings — fell sharply yesterday, as the market reacted to news that the Chancellor has decided to abolish foreign income dividends (FIDs).

Although the little-noticed announcement was tucked away in the part of Mr Brown's speech covering advance corporation tax, its impact will be crucial, because it will take away an important freedom currently enjoyed by some of Britain's biggest companies.

Indeed, there are rumbles from the market that some companies are so incensed by Mr Brown's decision that they may even consider abandoning their UK listings.

FIDs, which were introduced in Kenneth Clarke's first Budget in November 1993, are declared from foreign profits — meaning they do not attract advance corporation tax like usual dividends.

Accordingly, for London-listed companies that do not derive much of their profits from the UK — and do not have a large enough tax bill against which to offset their ACT — they are an advantageous way to cut their tax bill.

However, critics point out that by abolishing FIDs Mr Brown has *unfairly lumbered* such companies with having to pay extra ACT.

Announcing the move, Mr Brown said he was abolishing FIDs to stop the yield from advance corporation tax from being eroded, even though FIDs had enjoyed cross-party support when they were introduced.

Although the Chancellor tempered this measure, by insisting that "international holding companies" will be exempt from the move, broker NatWest Markets calculates that this is not the loophole it seems.

Chris Ralph, income analyst at NatWest, said leading companies likely to be facing *a higher tax bill as a result of* the abolition of FIDs includes such household names as SmithKline Beecham, Rio Tinto, Tate & Lyle, Coats Viyella and Reckitt & Colman.

Mr Ralph added: "I think it's a bit strong to say that this might force some compa*nies to de-list. But from some* companies we've talked to, they may feel that being a UK-domiciled company is less advantageous if they haven't an efficient means of distributing surplus capital to their shareholders."

Ian King

Feeling low

Victims of the FIDs cut

Burmah Castrol	20¼p to 986p
BTR	14p to 200¼p
Sedgwick	12p to 127¼p
Rio Tinto	8p to 1046½p
Charter	8p to 803p
Glaxo Wellcome	4¼p to 1308½p
Inchcape	4¼p to 276½p

Putting wind up the accountants

- Anti-avoidance threat hovers

THE Budget threat of a general provision to counter tax avoidance was met with alarm by accountants yesterday, although they were relaxed about the detailed announcements in Wednesday's speech.

Specific avoidance measures fell far short of the tough words uttered by Chancellor Gordon Brown when he was in opposition.

For example, there was no new attack on the residence and domicile rules which he had focused on for allowing people to avoid UK tax despite living and working in the UK for substantial periods each year.

But the Chancellor worried some tax experts with the news that a general anti-avoidance provision is being considered. Such a *rule would outlaw any* attempt to avoid tax through artificial means. Its attraction is that it would avoid the need for mountains of detailed rules that attempt to close every loophole, but which prompt companies and their advisers to look for more.

But the superficial simplicity of this idea is deceptive, say some tax accountants. "There are dangers in a blanket anti-avoidance provision", said Richard Collier-Keywood, a tax partner at Coopers & Lybrand.

If there were to be doubt under a new system, that could have the effect of making companies err on the side of caution, which would achieve the desired outcome of reducing tax avoidance — at the expense of higher corporate tax bills.

Roger Cowe

'No boost to investment'

- Analysts challenge small-firm incentives
- Higher interest rates predicted

THE Chancellor's claim to have boosted investment was attacked yesterday by economists and City analysts.

The Institute of Fiscal Studies believes the Budget will be a drag on investment spending, despite the fact that Gordon Brown selected investment as one of the main planks of his reforms.

Stephen Bond, of the IFS, argued that, while individual companies might be better off from the cut in corporation tax, the corporate sector as a whole will lose £3 billion a year because of the abolition of pension fund credits.

In any case, companies are likely to lose the benefit from a tax cut if they compensate pension funds by raising dividends.

In his Budget speech, Mr Brown said companies would benefit from changes in monetary policy announced after the election, and more stable interest rates would be followed by improving the corpo*rate tax regime.*

"I want the UK to be the obvious first choice for new investment," he said, before announcing a 2 per cent cut in corporation tax, abolition of tax credits to pension funds, and a temporary doubling of capital allowances for small and medium companies.

The government Red Book *reveals that the Treasury be*lieves the Budget measures will help to push business investment up by nearly 10 per cent this year and a further 6.26 per cent next year. But it also observes that forecasts have often been optimistic.

"There must be a clear downside risk to the forecast *for business investment, espe*cially if the high exchange rate hits exports hard, though the Budget is designed to improve the climate for long-term investment," it says.

Most observers agree with the first part of that statement rather than the second, especially since the limited tax hikes are seen as certain to result in higher interest rates and a stronger pound, making life hard for exporters.

NatWest Markets forecast that the Government's prediction of 6 per cent investment growth would be at least 2 per cent too high.

The investment incentive of doubling tax allowances for capital spending will last only 12 months. Past experience suggests this may encourage companies to bring forward spending rather than increase it. In any case, this measure is aimed only at smaller companies.

The combination of cutting corporation tax and abolishing the tax credit for pension funds is much more significant. But this manoeuvre has been seen as negative for business investment.

"It is one thing to say (as the Chancellor did) that the ACT tax credit introduces a tax bias in favour of distribution. It is another to say its withdrawal will actively encourage investment," said NatWest Markets.

Roger Cowe

هكذا من الاصل

هكذا من الاصل

Reaction

The offer is quality work

Timid 'yes' to job plan

UP TO 435,000 dole claimants stand to benefit from the Government's New Deal jobs and training programme for the young and long-term unemployed, it emerged last night. Among them are more than half the 350,000 who have been out of work for more than two years.

The Cabinet has set itself a target of 175,000 long-term jobless, who are to be levered back into the labour market with a £75-a-week six-month subsidy to employers from this time next year, while a further 10,000 will have the chance of a year's full-time education on benefit.

This is in addition to the quarter of a million 18- to 25-year-olds guaranteed a choice of four work-or-training options at the core of the Government's Welfare to Work crusade. They will normally lose 100 per cent of their benefits if they refuse all offers.

But David Blunkett, Education and Employment Secretary, and Andrew Smith, the employment minister in charge of the flagship jobs programme, were at pains to play down the chances of recalcitrant young unemployed people being forced on to the streets rather than submit to the New Deal regime.

These would be quality schemes, they insisted — a choice of a job with a private sector employer, work with a voluntary organisation or an environmental task force or full-time education or training — starting in 10 per cent of the country in January, and in April elsewhere.

Delivered by the Government's Employment Service through local consortia, the youth scheme will begin with a four-month "Gateway" period, when young unemployed people will be coached into preparing for the jobs market. For each jobless under-25-year-old taken on, employers will get a £60 subsidy for 6 months, while the New Deal workers will be given a £400 grant on top of benefit and £750 worth of training.

The outline of the scheme was welcomed yesterday by analysts, although some cautioned that the devil would be in the detail.

The Employment Policy Institute said that the overall economic climate gave the scheme a good chance of bringing down the dole queues.

But EPI director John Philpott warned that employers with a high labour turnover were bound to try to use the subsidy to pay for recruits they would have taken on anyway. "There is a risk that the scheme could end up validating the revolving door labour market," he said.

And the Employment Policy Institute argued that the welfare to work package would be unlikely to pay for itself through benefit savings, even after several years of operation — though ministers countered that they had never claimed it would be a no-cost programme.

There seems little doubt that there will be some degree of "dead weight" — subsidising workers who would have been employed in any case — as well as employers' substituting New Deal workers for existing employees. That risks making the project unpopular with the unions, who yesterday gave it a cautious welcome.

Mr Blunkett was upbeat yesterday about avoiding such scams and promised that companies that took part in the New Deal would be carefully monitored and penalised if they cheated. But estimates based on similar schemes abroad suggest that the proportion of extra jobs created by subsidy programmes can be as low as 30 per cent.

The TUC said the New Deal was "qualitatively different" from previous "make work" schemes. But it expressed concern about the impact of the planned sanctions, warning that the Government risked repeating the Tory administration's mistakes, when it cut benefits to 16- and 17-year-olds and caused a sharp increase in the number of teenagers sleeping on the streets.

Seumas Milne and Charlotte Denny

Hyder in deep water as the pressure rises

ELECTRICITY and water companies — still reeling at news that they are to bear the brunt of the £5.2 billion windfall tax — faced a second onslaught from their regulators yesterday.

The electricity regulator, Stephen Littlechild, called for regional electricity companies to make a 10 per cent cut in household bills next year — the equivalent of £27 off annual bills of £265 — and demanded that the power generators play their part in price cuts. The move could force British Energy, the newly privatised nuclear generator, to slash its dividends and will put a squeeze on PowerGen and National Power.

At the same time the water watchdog, Ian Byatt, made clear that the water companies would have to go to shareholders and not to customers if they wanted to recoup the cost of paying their share of the levy.

This has set Hyder, the most heavily indebted of the 10 water companies, on a collision course with the regulator as it struggles to meet its £280 million share of the tax. The company began a full-scale financial review last night to assess its options.

The hard line from the two regulators followed Gordon Brown's Budget assertion that the levy could be paid "without any impact on prices, investment, the quality of service to customers and, in my view, jobs".

The electricity companies are paying a total of £2.1 billion towards the tax and the water companies £1.65 billion.

Mr Littlechild's tough targets were published in a new document detailing how he saw prices moving in next year's liberalised electricity market, when competition will spread to the domestic market. He made clear that he was making no allowances for the windfall tax.

Several broking analysts saw the demand for sharp cuts in wholesale pool prices of between 4 and 12 per cent as a severe blow to the generators and particularly British Energy, which warned at flotation it might cut dividends if pool prices fell by 5 per cent. The regulator warned that he would be watching the bidding behaviour of the power companies in the wholesale market to make sure they did not artificially hold prices up.

The brokers SBC Warburg slapped a "sell" recommendation on the shares of all three of the main generators last night.

Hyder, the Welsh water and electricity group, is thought to be reluctant to borrow the money to pay its share of the tax. But Mr Byatt, director-general of Ofwat, is likely to oppose the other easy option: cutting back on discretionary environmental spending and abandoning its customer rebate scheme.

Some City analysts said extra borrowing could bring the company near to breaching covenants on some of its bank loans. Others, however, believed that the covenants in question had been renegotiated recently and no longer posed a problem. The company refused to comment on the covenant issue.

At risk are the group's promise to give customers an annual rebate of £9 a head until the year 2000 and to spend an extra £40 million on cleaning up Welsh bathing beaches.

Hyder shares were the only privatised water company shares to fall yesterday, ending the day 14.5p down at 81.25p.

Simon Beavis, Nicholas Bannister and Celia Weston

As usual, it's the poor what takes the strain

Institute of Fiscal Studies gives its view of the effects of Brown's Budget

Soup kitchen blues . . . Lowest incomes hit hardest

AS HE promised time and again during the election campaign, Mr Brown did not increase any income tax rates in Wednesday's Budget. But, like the Conservatives in 1998, he nonetheless managed to raise substantial amounts of extra tax.

Even ignoring the windfall tax, by the year 2000, the tax increases announced by Mr Brown will be raising an extra £5 billion per year, the equivalent of just under a 3p rise in the basic rate. So who is going to pay?

A large part of this increase fell on the business sector through some rather obscure changes in the way company dividends are taxed. Because these taxes appear to be paid by companies, it is often tempting to believe that they do not affect the "man in the street". But in the end, only people can pay the tax charged on companies. Either profits will be lower, hurting shareholders, prices will rise, making consumers worse off or wages and employment will fall thus affecting workers.

In the case of the tax increases on the business sector, it is difficult to say exactly which families will end up paying the tax. But pension funds have been hit hard by these changes, and anyone with a pension will have seen the value of their fund reduced as a result of the Budget.

Other tax changes affect families more directly. The first of these is the cut in the rate of VAT on fuel from 8 per cent to 5 per cent. Almost everyone will gain from this reduction. But the good news ends there. Smokers and drivers will be hit by large increases in excise duties, while homeowners with mortgages are affected by the cuts made to mortgage interest tax relief.

Using a computer model, we can see how the impact of these tax changes is actually distributed across the UK population by April 1998. We split the population into 10 equal-sized groups according to their level of household income, and made adjustments for household size. The average weekly losses, in pounds per week, are biggest for the richest households. But these cash losses represent a much smaller percentage of total income for this group than do the losses of the poorest households.

These percentages are shown in the graph. The richest 10 per cent of households are shown at the bottom and the poorest at the top. What is striking is that it is households on the lowest incomes who are hit hardest by the tax changes announced by Mr Brown. The combined effect of these changes means that the poorest tenth lose an average of 0.6 per cent of their weekly income through higher taxes, while the richest tenth are only 0.35 per cent worse off on average.

Given the cut in VAT on domestic fuel, we might have expected those with lower incomes to gain proportionately more than richer households, as heating bills make up a greater share of the total income of poorer groups. However, the substantial increase in tobacco duties, increasing the price of a packet of 20 by 19p, has on average offset the effect of the VAT on fuel cut for many of the poorest households. Because it is here that where we find more smokers, and more heavy smokers at that, the increase in tobacco duties has the biggest effect, on average, on this group.

The richest 10 per cent of households lose on average £1 a week, compared with only around 33p per week for the poorest tenth.

The results shown here are those looking at tax increases that will have occurred by April 1998. But further increases in excise duties on petrol and tobacco have also been announced. Petrol duties are set to rise by 6 per cent per year and tobacco duties by 5 per cent per year into the indefinite future. This continues the trend which has seen excise duties on petrol and tobacco rise by about 60 per cent in real terms since 1990.

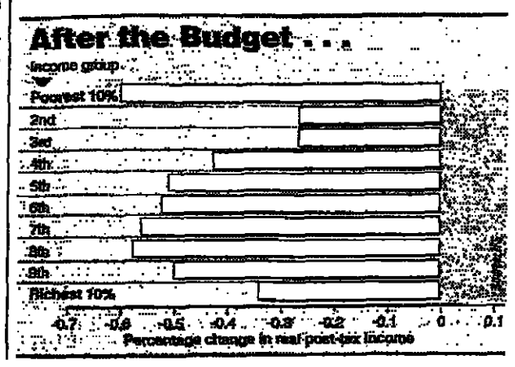
MR BROWN'S changes to mortgage interest tax relief have cut its value by one-third. Someone with a mortgage of over £30,000 paying interest at 7 per cent will see an increase in their monthly mortgage payments of £8.75. The average cash loss for the richest households is around £1.50 a week from the Miras change, compared to only 20p amongst poorer groups. This reflects the fact that richer households are more likely to have mortgages.

However, the cut in mortgage interest relief is not as progressive as it once was. Richer homeowners have already been hit hard by the restrictions already imposed on Miras. There is a £30,000 ceiling which has not been increased since 1983, and in 1991 the extra gains going to higher rate taxpayers from the relief was removed. The succession of cuts made to mortgage interest relief by the last government, and continued by the present Chancellor, make it likely that come the next election this relief will have ceased to exist.

While on average all the income groups lost as a result of the Budget, there are many people who are better off. Those who do not drive, smoke or own a home will have gained from the cut in VAT on fuel. In total, while 70 per cent of households lost out, 25 per cent will actually be better off thanks to Mr Brown, including almost half the poorest tenth of the population.

Julian McCrae and Jayne Taylor

After the Budget . . .



Education's extra billion

Strings come with school bag

MINISTERS are about to warn local authorities there will be strings attached to the extra £1 billion of education spending announced by the Chancellor on Wednesday.

David Blunkett, the Education and Employment Secretary, will change the rules on government grants for priority initiatives.

Instead of contributing 40 per cent of the cost of the so-called GEST programme, local education authorities will have to pay 50 per cent.

This will effectively lever an extra £60 million into the Government's priority schemes for improving literacy and numeracy.

Mr Blunkett told the English local authorities they would be able to spend £1,017 million more in 1998/9.

In a letter to council leaders he warned against siphoning off any of this money to support the other services which have been squeezed over the last few years to maintain standards in the classroom.

Sunnier days . . . Liverpool's Childwall Comprehensive School, led by headteacher Dewi Phillips, won its legal battle for repairs PHOTOGRAPH: DON McPHEE

"I want you to ensure that the extra funding being provided is used specifically for the benefit of schools in your authority", he said.

There was little guidance for further education colleges about how many extra students they would enrol as part of the £3 billion welfare-to-work scheme for unemployed 18-25 year olds. The colleges may end up accommodating young people not accepted by employers or voluntary groups.

Mr Blunkett said courses could last up to a year, providing the hard-pressed colleges with income at £2,300 per head.

Tony Blair will today use his first visit to his Sedgefield constituency since the general election to highlight the Budget's achievements for education.

At the opening of a new wing at a local comprehensive, he will say the Budget "represents a huge change of gear for our schools, it will put them on track to deliver the goods for our children."

John Carvel

Square Mile verdict

'Flush Gordon' gets it in neck

● Failure to choke consumer boom

SURGING share prices and a soaring pound might suggest the City is celebrating the Budget but economic analysts in the Square Mile are almost unanimous in their disapproval.

The central point of City criticism of Mr Brown — dubbed "Flush Gordon" by one house for his windfall tax on the privatised utilities — was the belief that he had failed to raise taxes enough to choke off the consumer boom.

"The Chancellor promised to ease inflationary pressures without damaging industrial prospects, then failed to deliver," said BZW. "Fiscal policy has been tightened by more than we expected, but the tightening skewed towards the corporate sector."

As a result, according to BZW's economics team, interest rates will have to rise by more than expected and that will keep sterling strong, at least in the short term.

ABN-Amro was equally disappointed. "The litmus test was the size of the personal-sector tax increases. By raising personal taxation by £½ billion this year the "Iron Chancellor" has proved to have feet of clay, leaving the job of slowing growth to interest rates and sterling."

UBS analysts were also critical. "Despite the rhetoric the budget did little to address the twin problems of a worryingly buoyant consumer sector and a struggling manufacturing/export sector."

However Yamaichi's economics team reckoned Mr Brown had made an "impressive" debut.

Overall, Mr Brown may sympathise with a Conservative predecessor, Nigel Lawson, who dismissed his City critics as "teenage scribblers".

Mark Milner

Small businesses

Tax breaks balance green costs

● Welfare-to-work is 'interesting'
● Extra capital allowance 'helps'

DESIGNED with gusto, delivered with gravitas, and not too bad on policies to help small businesses. Such was the verdict of the Guardian Young Entrepreneurs' Forum on the Budget.

Samantha Gemmell, who runs a Nottingham-based video production company, is glad the tax burden on smaller firms has been reduced. She is interested, too, in the welfare-to-work package offering a £75 subsidy to employers to take on a long-term unemployed person and the possibility of work with training for young people remaining on benefit.

"I'm in a very specialised industry so it'll depend on the vetting process and the calibre of the person whether I take someone on or not. But there is an incentive to look at it as an option, which I wouldn't have done before," she says.

David Pearson and Ulla Pope

Under the plans, an employer will receive a subsidy of £60 for a week for six months and the claimant a grant of £400.

Ulla Pope, owner-manager of promotions merchandising company Stellar Promotions, says: "We'll still be trying to juggle any capital expenditure against cash flow. The doubling of the capital allowance for the next year is only a help if the business is planning to spend in the immediate future and we can't at the moment."

For Hayley Maloney, of manufacturers Thermal Detection, the additional capital allowance will be helpful. "We've already allocated what we're going to spend on moving to bigger premises. So we'll be better off, but we're not going to buy any extra."

For Paul Morgan, founder of Roseberry Recycling, Mr Brown's debut was rather a non-event. But he is worried about the announcement that losses can only be rolled over for one year instead of three.

"We lost at least £40,000 when our premises were burned down at the beginning of the year. If we can't get the business back into substantial profit this year, we'll lose the tax advantage of being able to write that off over the coming three years."

The so-called green measures such as increases in diesel and petrol prices would adversely affect his business, too. "That'll add up to £6,000 a year to our haulage costs."

David Pearson, who runs the Network Advantage IT consultancy, are very happy with the capital allowance change. "That will be good for the IT sector," he said. "We're in a business which requires us to update systems all the time." But other changes will mean higher overheads. "It's the clients who'll end up paying," he added.

Celia Weston

Tomorrow: The Hard Rock waitress who became cultural attaché

Plus: Boardroom turmoil at the GEC

Financial Editor: Alex Brummer
Telephone: 0171-239-9610
Fax: 0171-833-4456

Finance **Guardian**

Lockheed's £7bn pact heightens US air war

Martin Walker in Washington

CONSOLIDATION of the US defence and aerospace industry intensified yesterday when Lockheed Martin announced an $11.6 billion (£6.9 billion) merger with the military electronics company Northrop Grumman.

It is the second-biggest defence merger on record, topped only by Boeing's proposed $18 billion purchase of McDonnell-Douglas. It will create a company with 230,000 employees and combined revenues of $37 billion.

"This virtually completes the shake-out in the US weapons industry, leaving just two colossal players," said Byron Callan, a Merrill Lynch analyst in New York.

The deal puts intense pressure on the European defence industry, which has been scrambling through political obstacles to merge and buy its way into contention with the enlarged American firms.

It also reflects the sharpening competition for the new market of the eastern European countries which are poised to join Nato.

The accumulated purchases and mergers of the US defence sector top $100 billion since the "Last Supper" in 1993, at which then defence secretary William Perry called in industry leaders to say the Pentagon wanted rationalisation of a sprawling industry that could no longer prosper on cold-war defence contracts.

The Lockheed-Northrop merger creates a rival to the new Boeing-McDonnell Douglas group, which is strongest in aircraft, and the Raytheon group, which is focused on missiles and electronics after its $12.5 billion purchase of Hughes Electronics' and Texas Instruments' defence holdings.

Lockheed, which began the flurry of mergers by buying Martin Marietta for $10 billion in 1995, is a leading manufacturer of military aircraft like the F-117 Stealth warplane and Hercules cargo workhorse, and of strategic and tactical missiles and aerospace electronics.

The Lockheed-Northrop merger would provide dominance in the crucial field of Stealth technology.

Northrop, which has recently seen its hopes of $27 billion in orders for its B-2 Stealth bomber put on hold by Congress, has just completed a $5 billion expansion programme, buying Grumman aircraft and the defence electronics division of Westinghouse. Half of its $8 billion annual revenues come from aircraft and half from electronic systems.

A new battle is about to be joined, between Boeing and Lockheed, to produce the Joint Strike Fighter for the US air force and navy and Britain's Royal Navy. A contract worth at least $210 billion over the next 20 years, it will define the future of the industry. British Aerospace recently opted to join Lockheed's bid.

BAe is also a partner in the Airbus consortium, which has discussed with Lockheed joint development of the Airbus A3XX jumbo jet, to rival Boeing's dominance in commercial aviation.

THAI consumers yesterday rushed to put their money in gold and snap up last-minute bargains before the impact of a 20 per cent devaluation of the baht sent the price of goods soaring, and the value of their money plummeting. Sales of computers and televisions were particularly high, *writes Mark Milner*.

Some shops wasted little time in putting prices up by at least 15 per cent.

Normally cool central bankers from Asia's tiger economies anxiously counted their foreign exchange reserves yesterday after a successful attack on the baht prompted fears that speculators may target other currencies.

The Philippine peso and the Indonesian rupiah are seen as likely targets in the wake of the effective devaluation of the baht, which saw the Thai currency fall by a fifth in value against the dollar.

Dealers noted a half-hearted push against the rupiah yesterday, while the peso slipped slightly.

Yesterday, it emerged that the Bank of Thailand had spent some $4 billion (£2.5 billion) in May alone defending the baht from speculative attack and it is thought to have also intervened heavily to protect the currency in June.

However, on Wednesday it called off the battle and allowed the currency to float for the first time in 13 years.

The move, which will help Thai exporters, boosted the Bangkok stock market but many Thai companies will be hit by their heavy dollar borrowings. Thai companies are reported to account for some four-fifths of the country's $90 billion of foreign debt.

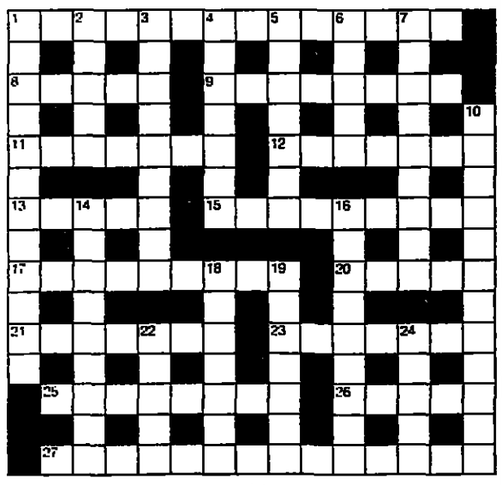
Analysts are sceptical as to whether Thailand's problems will spread to fellow Asian tigers in the way that the Mexico crisis did in Latin America in 1994.

While the devaluation is seen as necessary, in the short term it may mean bankruptcies. It would cost more in local currency terms to fund dollar loans but switching the baht-denominated loans would mean companies paying higher interest rates.

PHOTOGRAPH: CHARLES DHARAPAK

Guardian Crossword No 21,007

Set by Chifonie



Across

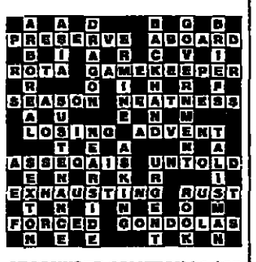
1 Inappropriate romances could influence government policy (7,7)
8 Love to rebuke and pontificate (5)
9 Endless chat, about a performance I caught, is shrewd (8)
11 Husband learnt dancing to charm (7)
12 One appears in sarong, manufactured for foreign lady (7)
13 They say a finance officer can trouble a housemaid (5)
15 Serious actor and model was angry with Scot (9)
17 Wrong'un gets mother to obtain port (9)
20 A comic on a truck (5)
21 There's nothing in eastern imports for self-seekers (7)
23 Toff carries outfit, or item of outfit (7)
25 Plug leak about wild adventure (8)
26 Become used to favourite flower (5)
27 Go via Rye, getting lacerated — it's hardly worth the letter's collection (10,4)

Down

1 Noisy cow is over the perimeter — in the garden (6,6)
2 Trace misplaced reply (5)
3 Irene gets a bit giddy when drunk (9)
4 A brief message is permitted, supporting climbing school (7)
5 Leaders of Florist's Union can have some irrational antipathy for shrub (7)
6 Intimidating flying (5)
7 Analysis provides right flavouring, without a trace of salt (9)
10 Ministers' entertainment said to be in London location (6,6)
14 Turned up in badly made trousers, sweetheart? (9)
16 Journalist on Guardian raising first-class name of a bygone age (9)
18 It's misery for some French couple (7)
19 Motor part gives a great gain in a short time (7)
22 Grew dizzy parking in Slough (5)
24 Couple, hiding from the beginning, avoid discovery (5)

Solution tomorrow

☎ Stuck? Then call our solutions line on 0891 338 238. Calls cost 50p per minute at all times. Service supplied by ATS



CROSSWORD SOLUTION 21,006

NEWSPAPERS SUPPORT RECYCLING
Recycled paper made up 41.2% of the raw material for UK newspapers in the first six months of 1996

ABFPRT

BR sell-off sees mixed fortunes

Keith Harper
Transport Editor

THE first train operators to publish annual results since British Rail privatisation revealed mixed fortunes yesterday.

Great Western Holdings, operator of two lines, recorded a small £5 million profit, while Prism, which holds four franchises, disclosed a £5.5 million loss.

However, Prism said that passenger revenue is now increasing by 9 per cent a year, well ahead of the level it needs to make a profit.

Prism's chief executive, Giles Fearnley, said that improved security and service had helped attract passengers back to the railways, although economic growth also played a part.

Revenue at Prism rose by 9 per cent in the first quarter of the year, compared to 7.5 per cent in 1996, when it was £238 million.

Prism's four subsidiaries are Anglia Great Northern, Cardiff Railway Company, South Wales and West and LTS Rail — the commuter line between London and Southend.

Mr Fearnley promised better station facilities, car parks, closed circuit television and customer information systems. LTS is to replace most of its fleet with 44 new four-car trains, which he said would dramatically improve services from November 1999.

Prism's loss was due to restructuring and bidding costs of £12.4 million. It has so far shed 300 of its 3,900 staff and there are likely to be further substantial redundancy costs this year. Pre-tax profits, before exceptional costs, were £6.9 million on turnover of £199.2 million.

Mr Fearnley said that the rail regulator had issued objectives for train operators to deliver improvements over and above franchise requirements. Prism was determined to make sure they were achieved.

GWH's chief executive, Brian Scott, meanwhile, said that its success had been built on a voluntary redundancy rate of 9 per cent.

It was investing £70 million over the next three years to replace older trains, while its two franchises, Great Western Trains and North Western Trains, gave it 10 per cent of the turnover of the operating companies.

Duty-free shops spree for BAA

Ian King

BAA, owner of seven British airports, including Heathrow and Gatwick, is to become the world's second biggest duty free retailer, with the $674 million (£406 million) acquisition of Duty Free International, the second biggest duty free group in the US.

The deal will give BAA around 8 per cent of the world's $13 billion duty free market, buttressing the company against the threat to end duty-free shopping within the European Union.

Chief executive Sir John Egan said BAA had been in talks with DFI since December, but had delayed an announcement because of uncertainty over the windfall tax. He said BAA now expected to pay £70 million to £95 million.

Sir John said BAA was still looking for further acquisitions, in particular in the border areas between eastern and western Europe, and it was interested in running inflight duty free operations for European airlines.

Sir John admitted that the deal had "certain defensive qualities" for BAA, which faces losing a heavy chunk of its revenues with the abolition of intra-European duty free in 1999.

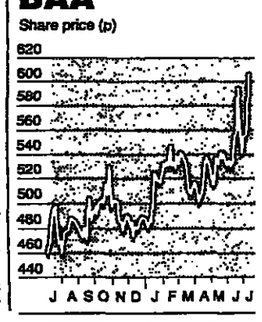
The ambitious deal, BAA's first major acquisition for over eight years, takes the company into a country where it has little experience and which has been a graveyard for numerous British firms over the years.

Almost two-thirds of BAA's sales and profits will now come from retailing rather than airport management.

DFI is the world's fifth biggest duty free retailer, running operations at 14 airports in the US and the Caribbean, including sites at JFK and La Guardia airports in New York. It enjoys dominant market shares of cross-border shopping between Canada, Mexico and the US.

The deal will largely be financed with the proceeds of a convertible bond, issued by BA in January 1996.

BAA



Banker's seven-figure sum

Julia Finch

SENIOR City banker Simon Robertson is to join the Goldman Sachs serious money club. The 56-year-old former chairman of Dresdner Kleinwort Benson will join the US investment bank on September 1 as one of its 70 or so managing directors and president of Goldman Sachs Europe.

But a statement from the bank said: "It is expected that he will be admitted as a partner at the beginning of the firm's new fiscal year on December 1."

At that point Mr Robertson's salary will be shaved to about £120,000, but he will be awarded a stake in the bank and can expect to earn up to $5 million (£3 million) a year.

Eton-educated Mr Robertson spent 34 years at Kleinwort Benson and during the 1980s worked on several of the Conservative government's privatisation issues.

Two years ago he presided over Kleinwort's takeover by the German banking group Dresdner but he quit in January this year after a boardroom row over the integration of the two banks. He is understood to have received a seven-figure pay-off.

He was courted by Dresdner rival Deutsche Bank before deciding to join Goldmans.

His principal responsibility at the Wall Street-based firm will be key client relationships — working with Goldman's biggest and most lucrative customers.

Goldman's UK client list includes BSkyB, Unilever, Cable & Wireless, Pilkington and the Nationwide Building Society.

Jon S Corzine, Goldman's US chairman and chief executive, said: "Simon Robertson's career epitomises client service and relationship banking, a fundamental tenet of Goldman Sachs."

Northern Foods' boss gets Labour nod at last

Michael White and Roger Cowe

CHRISTOPHER Haskins, chairman of leading Marks & Spencer supplier Northern Foods, was yesterday handed the task of revamping business regulatory policies as head of a new government unit.

Mr Haskins is one of the few prominent businessmen who have been longstanding Labour supporters, but who appeared to have missed out on the rash of jobs handed out to top company directors since the election.

The new team will be called "Better Regulation", reflecting a sharp change of emphasis from the abolition approach of former deputy prime minister Michael Heseltine. Under Mr Haskins the aim will be improved, rather than less, regulation.

He said last night: "It was very ideological. I want to make sure it's not ideological but will be about making government more credible, and giving more credibility to civil servants while making them more 'real'."

The new terms of reference require the task force to propose actions that "improve the effectiveness and credibility of government regulation by ensuring that it is necessary, fair and affordable" as well as being simple to understand and administer for small firms and ordinary citizens.

The 40-strong unit, based in the Cabinet Office, will range across government, dealing with issues such as risk assessment by social services staff to environmental regulations.

Announcing the appointment yesterday, Chancellor of the Duchy of Lancaster, Dr David Clark, said the message he inherited from the Tories was that regulation was unnecessary. "May I just utter three letters: BSE," he said.

Underside

Dan Atkinson

A LAST word on that Budget from the chaps at Centre Point: communiqué P.81.97 BUDGET-1 was wired to the world's media on Wednesday at just after 5pm. Pretty quick, mm? Its contents, in their entirety: "Reacting to the measures announced in the Government's July Budget today (Wednesday), Adair Turner, director-general of the Confederation of British Industry, said: [one inch of white space follows] ... 2 July 1997." That says it all, somehow, doesn't it?

MEANWHILE, disturbing news from the land that time and Thatcherism forgot: France, where 16 sponsors are being lined up for next year's World Cup. But what's this? Only two sponsors are actually, er, French. The rest come from those barbarous lands beyond the frontiers of the self-styled home of civilisation. Why? Well, informed sources suggest that Gaul's big businessmen thought they ought to pay only a tenth of the total being paid

by other sponsors. The lucky two? France Télécom and France Poste, respectively official telephone supplier and official postal service to the World Cup. As one cynic observed: "You couldn't very well have Belgacom and the Royal Mail in those roles." No, indeed: they might display disturbing non-Gallic habits, such as paying up.

THIS week's award for Holmesian feats of deduction goes to Black Horse Relocation, a division of Lloyds-TSB, which has painstakingly disclosed the astonishing truth that most British executives would like to relocate to New York, Paris, Sydney or San Franciso. Funny, that: we'd have thought Warsaw, Phnomh Penh or Kabul would be topping the list ...

OH HAPPY day for those who grit their teeth whenever that cheery red telephone pops up in television adverts for the insurer Direct Line. All but the most hermit-like hermits will know that its founder, Peter Wood, made strategic amounts of money from driving viewers round the bend, but tin can't buy you everything, it seems. Mr Wood yearns to join the All-England Lawn Tennis and Croquet Club, but the Wombles want him not. Britain's best-paid insurer — who recently stepped down from Irritating Red Telephone plc, partly to spend more time with his racquet — regularly partners Sue Barker and Sir Cliff Richard. He did his cause no good recently, partnering former British star John Feaver in an SW19 showdown against AELTC chairman John Curry and referee Alan Mills. "We hammered them," he said. "So I've got no chance of getting in now".

Back to old time for Sainsbury

Roger Cowe

SAINSBURY bounced back last year to the market share it held before the slump of 1995-96, according to the grocery industry trade body, the Institute of Grocery Distribution.

The institute's analysis, based on data supplied by its members, runs counter to the theory that one supermarket leader's gains must be at the expense of its immediate rivals.

All four companies gained market share last year, and with most of the smaller chains holding their own, this advance was mainly at the expense of the co-ops and independent shops.

Following the introduction of its Reward loyalty card and a renewed emphasis on service and product availability, Sainsbury's share grew by 0.3 of a percentage point in the second half of last year to take the former industry leader back to the 12.6 per cent it achieved in 1994 and 1995.

Tesco similarly continues to power ahead with its Unbeatable Value promotion coming after the success of its Clubcard loyalty scheme. The company, which first overtook Sainsbury two years ago, increased its share by almost a whole point over the year to reach a new high of 14.6 per cent. Its growth was well ahead of all its rivals.

TOURIST RATES — BANK SELLS

Australia 2.16	France 9.567	Italy 2,785	Singapore 2.34
Austria 20.07	Germany 2.8515	Malta 0.6290	South Africa 7.37
Belgium 58.87	Greece 451.00	Netherlands 3.1990	Spain 239.50
Canada 2.247	Hong Kong 12.61	New Zealand 2.40	Sweden 12.74
Cyprus 0.8350	India 59.03	Norway 11.96	Switzerland 2.39
Denmark 10.93	Ireland 1.0726	Portugal 287.50	Turkey 297,560
Finland 8.56	Israel 5.84	Saudi Arabia 8.17	USA 1.6380

Supplied by NatWest Bank (excluding Indian rupee and Israeli shekel).

هكذا من الاصل